

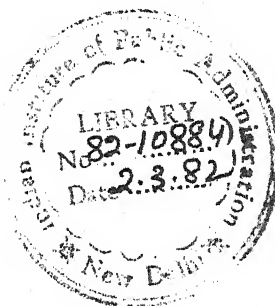
IMPROVING DELIVERY SYSTEMS IN SUPPORT  
OF SMALL FARMERS WITHIN THE CONTEXT  
OF RURAL DEVELOPMENT : INDIA  
( TAMIL NADU STATE )

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T.N. CHATURVEDI  
M.L. SUDAN  
M. LAKSHMISWARAMMA



Indian Institute of Public Administration  
Indraprastha Estate, Ring Road,  
New Delhi - 110002  
INDIA

(January, 1982)

## PREFACE

This study mainly deals with the design and flow of Delivery System for institutional credit, agricultural inputs (fertilizers, improved seeds and pesticides) and agricultural extension services as also with the arrangements for the marketing of agricultural produce in the State of Tamil Nadu. The Delivery System in Tamil Nadu is the same for all categories of farmers but an effort has been made to make this study with particular reference to small (and marginal) farmers. Since the special programme for helping the small and marginal farmers and agricultural labourers was introduced in India through the Small Farmers Development Agencies (SFDA's) in the Fourth Five Year Plan (1969-74), was extended to more areas during the Fifth Five Year Plan (1974-79) and was later substituted by the Integrated Rural Development (IRD) programme for the weaker sections including small and marginal farmers in the entire country w.e.f. 2nd October, 1980, this study has been made within the context of these SFDA/IRD programmes. Consequently, the objectives, policy and administrative arrangements for planning, coordination and implementation of these programmes have also been covered in this study.

The study thus endeavours to explain the existing situation, policy and intentions and administrative



arrangements in respect of Delivery System with particular reference to small and marginal farmers within the context of SFDA/IRD programmes. It also brings out the changes that have been introduced in the recent years and major problems requiring attention for further improving the coordinated delivery of inputs and services. Since it is essentially a study of the design and flow of Delivery System for the supply of inputs and services in support of small and marginal farmers, the impact of the SFDA/IRD programmes does not form a part of this study.

The study is based on the information collected from the concerned departments of the State government and on the discussions held with the State level officers, and the District and Block level officers (government officers and officers from other concerned institutions) of one district (Chengalpattu) in Tamil Nadu. Other available literature on the subject has also been looked into. The first round of the field work was started in July 1981 and the second and final round was completed in December 1981.

This study was sponsored by the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) at Comilla (Bangladesh) as a part of their country study project covering seven Asian countries - Bangladesh, India, Indonesia, Pakistan, Philippines, Sri Lanka and Thailand. In India, CIRDAP had selected two States (Tamil Nadu and Rajasthan) for this study

and the Indian Institute of Public Administration (IIPA) was requested by the CIRDAP to take up this study in the State of Tamil Nadu.

Our thanks are due to the CIRDAP for having sponsored and funded this study on one of the important aspects in the area of rural development and to the Government of Tamil Nadu for extending full cooperation to the IIPA for this study. We would particularly like to thank Miss M.S. Ramesh, Commissioner and Secretary to the Government of Tamil Nadu, Department of Agriculture, for all the help and for useful discussions.

We would also like to thank Mr. P.R. Dubhashi, Director, Indian Institute of Public Administration, for his continuous support to the study and for offering useful suggestions and comments on the draft of the study report.

Our thanks are also due to a large number of State government officers concerned with rural development and the officers of other concerned institutions at the State, District and field levels, who helped us through supply of material, and discussions on various aspects of the study. In this connection, particular mention may be made of Mr. D.A.S. Prakasam, Registrar of Cooperative Societies and his successor Mr. K. Chandrachoodan, Mr. N. Jagannathan, Additional Registrar Cooperatives and Mr. M. Kanakasabapathi, Special Officer TANFED; Mr. S.A. Subramani, Director of Agriculture; Mr. H.B.N. Shetty, Commissioner and Secretary, Rural Development

and local Administration Department and Mr. S. Subramanian, Joint Secretary in the same Department; Mr. S. Arvind, Collector Chengalpattu district and his successor Mr. H.J. Ramachandran, and Mr. R. Ramadoss, Project Officer DRDA Chengalpattu district; Mr. K.K. Venkataraman, Area Manager, Indian Bank (Lead Bank) Kancheepuram; and Mr. V. Veeraghavan, Joint Director of Agriculture and Special Officer, Kancheepuram Market Committee.

IIPA, New Delhi  
January 30, 1982

T.N. Chaturvedi  
M.L. Sudan  
M. Lakshmiswaramma

---

T.N. Chaturvedi : Formerly Director of the Indian Institute of Public Administration and presently Secretary to the Government of India, Ministry of Home Affairs

M.L. Sudan : Reader in Economics, IIPA

M. Lakshmiswaramma : Lecturer, IIPA

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INTRODUCTION

After Independence, development planning in India started with the launching of the First Five Year Plan in 1951-52 and today the country is in the period of the Sixth Five Year Plan (1980-85). While the immediate objectives of the Indian Plans have varied from Plan to Plan in the light of prevailing economic situation, achievement of modernization, growth and social justice have always remained the basic objectives of all the Plans.

The endeavour of the government, throughout the planning era, has been to increase production and productivity levels in all the sectors of the economy particularly so in agriculture which provided livelihood to 70 per cent of the working population of India.<sup>1</sup> Along with stress on growth, some efforts had also been made to achieve social justice. However, a review of development policies, plans and programmes during the past 30 years reveals that there have been occasions where the short-term compulsions of maintaining growth with stability have acted as constraints on the continuous and simultaneous attainment of the twin objectives of development, namely, economic growth and social justice.

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1. 80 per cent of India's population lives in the countryside spread over 0.56 million villages and is considerably dependent on agriculture and allied activities.



In the field of rural development, India started with the multi-purpose Community Development programmes and setting up of National Extension Service in 1952 covering all aspects of rural life. Initially, it was taken up on a pilot basis in a few selected areas and was later extended to other areas covering the entire country by 1963. Under this programme, each district in the country (India has 406 districts) has been divided into a number of C.D. Blocks, each Block covering about 100 villages. The total number of Blocks in the country is about 5,100 and these have, by and large, continued as the primary units for rural development in India. A separate administrative structure was also created for these Blocks. It is generally through this Block Agency that all the subsequent programmes/schemes in the field of rural development have been/are being implemented at the field level. The development team at the Block level is headed by a Block Development Officer (BDO) who is assisted by a team of specialists called Extension Officers (EOs) drawn from various development departments like agriculture, animal husbandry, cooperation, industries etc. The development work at the village level is looked after by the multi-purpose village level extension functionaries called Village Level Workers (VLWs), each VLW looking after about ten villages. However, some changes have occurred in the Block structure over the years but its basic framework has continued.

Increasing production and employment particularly the agricultural production was an important objective of the Community Development programme. However, with the slow progress on agricultural and food fronts in the early 60s, it was felt that it had happened, due to diffusion of efforts on account of multi-purpose nature of the C.D. programme. Consequently, it was first decided that 80 per cent of the time of multi-purpose VLWs in the C.D. Blocks should be devoted to agricultural development. Subsequently, in 1963 it was decided that the entire time of VLWs should be used for agricultural development.<sup>2</sup> Thus, while the multi-purpose approach of the C.D. programme was continued, stress was considerably increased, at the operational level, for agricultural production.

With the increasing national concern and compulsions for improving food and agricultural production in a short time, the government introduced intensive agricultural programmes covering (a) Intensive Agricultural District Programme (IADP or Package Programme) in 1960-61 (b) Intensive Agricultural Areas Programme (IAAP)<sup>3</sup> in 1964 and (c) High Yielding varieties

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2. In spite of this policy decision, VLWs have continued to be used for other activities like mobilizing small savings and motivating people for family planning.
  3. This was the extension of the concept of Package Programme to other selected areas.

programme in 1966-67. Under this strategy of intensive agricultural programmes, efforts and resources were concentrated in areas with optimum potentialities for achieving striking results in agricultural production within a relatively short time through the use of modern inputs and technology.

This strategy of intensive agricultural programmes paid rich dividends by way of increasing food production. The country has since achieved self-sufficiency in food along with building up a substantial buffer stock of foodgrains. This strategy, however, created other problems in the field of social justice. It led to the concentration of incomes in well-developed areas; and brought major gains to relatively bigger farmers leading to income and regional disparities.<sup>4</sup> Although the intensive agricultural programmes "did not rule out the inclusion of the small and marginal farmers, the natural propensity for field level staff was to concentrate on the well-to-do large farmers with sufficient resources at their disposal. Thus, while the programmes did result in substantial increase in food production, this also resulted in accentuating economic disparities between the rich and poor classes

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4. Francine R. Frankel, India's Green Revolution: Economic Gain and Political Costs, (Bombay, 1971), p.191 and C.H. Hanumantha Rao, Technological Change and Distribution of Gains in Indian Agriculture, (Delhi, 1975), p.178.

of farmers".<sup>5</sup>

This happened, among other things, due to lack of adequate realization that the rural community is a differentiated one with its feudal power nexus where the 'rural poor' and the 'rural weak' including the Scheduled Castes and Tribes are hardly in a position to participate or contribute significantly or even derive any benefit through the percolation effect from the programmes, schemes or agencies as they have been operating. There was thus a need for intervention by the government with 'positive discrimination' particularly in terms of specific programmes and provision of credit in favour of these less privileged and disadvantaged sections of society.

To tackle these problems of income and regional disparities, various Special Programmes were introduced during the Fourth Five Year Plan (1969-74) and the Fifth Five Year Plan (1974-79). Among these, the programmes relevant to the present study were the programmes for Small Farmers; and for Marginal Farmers and Agricultural Labourers, introduced during the Fourth Five Year Plan. In the Fifth Five Year Plan, these were merged together and extended to other areas. These combined programmes covered 168 districts out of 406

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5. T.K. Chakravarty, "Development of Small and Marginal Farmers: A Review of Policies and Programmes", in Rural Development in India: Some Facts, National Institute of Rural Development, (Hyderabad, 1979), p.283.

districts in the country. During the Sixth Five Year Plan (1980-85), these programmes have been merged with the newly introduced Integrated Rural Development Programmes which covers the entire country.

The setting up of the Small Farmers Development Agencies (SFDA's) during the Fourth Plan was based on the recommendations of the All India Rural Credit Review Committee (1969). This Committee was appointed by the Reserve Bank of India in July 1966 "to review the supply of rural credit in the context of the Fourth Plan generally, and in particular, the requirements of intensive programmes of agricultural production throughout the country and to make appropriate recommendations".<sup>6</sup>

Among other things, the Committee came to the conclusion that the benefits of various rural development programmes which have been under implementation during the first three Plans and of cooperative credit did not flow to the small farmers either in proportion to their numbers or needs. The Committee, therefore, suggested ways and means to make adequate credit available to them and also proposed the setting up of pilot projects in selected districts for improving the conditions of small farmers through support in terms of resources (including credit) and technical guidance. For this, the Committee proposed

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6. Reserve Bank of India, All India Rural Credit Review Committee Report, (Bombay, 1969), p.4.

the establishment of special institutions called the Small Farmers Development Agencies (SFDA) in the selected areas.<sup>7</sup>

The recommendations of the Committee were accepted by the Government of India and 46 SFDA pilot projects were started during the Fourth Plan. In addition, the government also established 41 Marginal Farmers and Agricultural Labourers Agencies (MFALAs) for improving the lot of these groups. Each project covered a selected district and some of the selected districts among these were covered by both these projects.

In 1973, the National Commission on Agriculture, while suggesting the expansion of these programmes, also recommended the merger of SFDA and MFALA into a single integrated programme<sup>8</sup> and the combined Agencies were to be named as SFDAs. This was accepted and the programme was extended to other areas during the Fifth Plan.

Subsequently, the Integrated Rural Development (IRD) programme was launched in 1978-79 in 2,300 selected Blocks all over the country. However, w.e.f. 2nd October, 1980, IRD

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7. The Committee, however, left out of consideration the sub-marginal farmers and agricultural labourers, as in their opinion, these groups required far-reaching programmes of rehabilitation extending beyond credit which were outside their terms of reference.

8. Government of India, National Commission on Agriculture, Interim Report on Reorientation of Programmes of Small Farmers', Marginal Farmers' and Agricultural Labourers' Development Agencies, (New Delhi, August 1973), (Mimeo), p. 19.

programme has been extended to the entire country covering all the Blocks. The SFDA programme has also been merged with the IRD programme. Essentially, the IRD programme has been conceived as an anti-poverty programme. The basic objective being to enable the families below the "poverty line" to come up and cross the same. In identifying the beneficiaries under the programme, the adoption of "Antyodaya" approach has been stressed. The approach lays emphasis on the need to extend the benefits first to the poorest among the poor. For implementing this programme, District Rural Development Agencies (DRDAs) have been established in each district on the SFDA pattern.

It is in the above background and in the context of the implementation of the SFDA and IRD programmes that this Study of Delivery System in Support of Small Farmers has been made with particular reference to the State of Tamil Nadu.

Situated in the southern part of the Indian Sub-Continent, Tamil Nadu occupies an area of 130 thousand sq. kms. with a population of 48.3 million (1981). About 60 per cent of the population is dependent on agriculture and 70 per cent live in the rural areas. The number of agricultural operational holdings in the State is estimated at 5.3 million of which small and marginal farmers' holdings (upto two hectares) number 4.2 million or 79 per cent of the total holdings covering 36 per cent of the



farm land area. The net sown area is about 6.3 million hectares (or 48 per cent of the total area) out of which 46 per cent is irrigated. The most important sources of irrigation are tube-wells and ordinary wells followed by canals and tanks.

Administratively, the State is divided into 15 Districts, 151 Talukas and 376 Blocks. SFDA programme had been in operation in 13 out of 15 districts covering 167 Blocks. The other two districts of Dharmapuri and Ramanathapuram were covered by the Drought Prone Areas Programme (DPAP). Among other things, DPAP has also been extending benefits to small and marginal farmers broadly on the SFDA pattern. From 2nd October, 1980, the entire State is covered by the IRD programme.





OBJECTIVES, FUNCTIONS AND ADMINISTRATIVE  
SET UP OF SFDA's/DRDA's

The Programmes for helping the small farmers, marginal farmers and agricultural labourers in India, were being managed at the district level by the Small Farmers Development Agencies (SFDAs) till recently. With the introduction of the Integrated Rural Development (IRD) programme in the entire country w.e.f. October 1980, SFDAs have been converted into District Rural Development Agencies (DRDAs). This is so in Tamil Nadu as also in the rest of the country.

In order to be able to understand the design and flow of Delivery System for small and marginal farmers in various respects, it is very necessary to have an idea of the objectives, functions and administrative set up of the SFDAs/DRDAs as the Delivery System for small and marginal farmers operates within this framework in the entire country including Tamil Nadu. Wherever possible, the position has been illustrated by giving brief details from Tamil Nadu situation.

Objectives of SFDAs

The main objectives of the SFDAs were as follows:<sup>9</sup>

9. Government of India, Ministry of Agriculture and Irrigation, Department of Rural Development, Compendium of Instructions on SFDA/MFAL Projects, (September, 1975), p.215.

- (i) To identify the members of the target groups (small farmers, marginal farmers and agricultural labourers) and their problems.
- (ii) To draw up plans (schemes) for investment and production in respect of activities which may be taken up by the members of the various target groups for solving their problems and improving their economic condition.
- (iii) To execute these plans (schemes) for the benefit of the members of the target groups either directly or through others in coordination with the existing agencies whether private, public or cooperatives including banking institutions and government agencies.
- (iv) To review the progress of the execution of these activities as well as effectiveness of the benefits directed towards the members of the target groups.

#### Functions of SFDA's

In order to attain the above main objectives, the SFDA's were required to take the following steps:<sup>10</sup>

- (i) To ensure adequate institutional credit to the members of the target groups by providing grants to the credit institutions operating in the area to cover any loaning risks that they may be exposed to in financing these groups.

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10. Ibid., pp.215-216.

- (ii) To provide grants/subsidies to such credit institutions for strengthening their managerial and supervisory staff.
- (iii) To give such assistance to the members of the target groups including subsidies and grants as may be necessary for furthering the purposes of the plans and schemes undertaken or supported by the Agency.
- (iv) To render assistance for the development of agriculture, and animal husbandry (including poultry and dairy) programmes for the benefit of the members of the target groups.
- (v) To organise and arrange for providing supplies of inputs such as fertilizers, seeds and pesticides to the small and marginal farmers.
- (vi) To arrange and organise supplies of agricultural implements to small and marginal farmers.
- (vii) To arrange and organise the provision of custom services of agricultural machinery and implements such as tractors, power tillers, boring equipments etc. to be let out to small and marginal farmers.
- (viii) To organise, assist and strengthen marketing and processing societies and organisations.

(ix) To do all other such things as may be considered necessary and may be incidental or conducive to the attainment of its objectives.

As will be seen from above, the major focus of the SFDA's activities was to prepare suitable schemes for helping the members of the target groups to improve their economic condition; to ensure adequate institutional credit to them; and to provide them subsidies to enable them to take up various schemes. Each of the 168 SFDA projects in the country was expected to cover 50,000 families of small and marginal farmers and agricultural labourers. The budget allowed for five years was Rs.15 million per SFDA and the entire amount was provided by the Government of India. A substantial part of this budget was to be utilized for providing financial assistance to the members of the target groups. The general pattern of financial assistance in the form of subsidies was 25 per cent of the cost under the scheme in the case of small farmers and  $33\frac{1}{3}$  per cent of the cost in the case of marginal farmers and agricultural labourers with a maximum limit of Rs.3,000 as total subsidy to an individual on various schemes. The scheme-wise pattern of financial assistance under SFDA's is given in Annexure-I. This pattern had been in operation throughout the country including Tamil Nadu in all SFDA's. The details in Annexure-I also give an idea of the type of schemes taken up by SFDA's in the country for helping the small and

marginal farmers and agricultural labourers to improve their economic condition. These are relevant for the entire country including Tamil Nadu.

It may also be mentioned here that small and marginal farmers in India suffer from many handicaps. Though the position differs from area to area, yet their major handicaps are : (a) insecurity of tenures (b) fragmentation of holdings (c) inadequate and untimely supply of inputs and water (d) lack of credit facilities and (e) unsatisfactory arrangements for marketing and storage. Keeping these handicaps in view, the Indian Five Year Plans continue to lay great stress on the implementation of land reforms including provision of security of tenure, regulation of rents and consolidation of holdings; and provision of community irrigation works. On the other hand, the supply of credit and agricultural inputs as also development of infra-structural facilities have formed the most important part of the activities of the SFDA's as mentioned above.

The main functions of the SFDA's could thus be summarised as :

- (i) Identification of the members of the target groups (small and marginal farmers and agricultural labourers) in the area and their problems.



- (ii) Preparation of appropriate schemes for helping the members of the target groups to improve their economic condition.
- (iii) Ensuring availability of institutional credit, inputs and services including the provision of financial assistance in the form of subsidy.
- (iv) Review of progress of the execution of various schemes and ensuring that the benefits reach the members of the target groups.

#### Administrative Set-up of the SFDA's

Each SFDA in India was established as a Corporate body registered under the Registration of Societies Act of 1860. It had a Governing Body which was the supreme authority for governing the affairs of each Agency subject to such limitations as the Government of India might, from time to time, impose in respect of the expenditure of its grants. The Deputy Commissioner/Collector of the concerned district who is the head of the district administration, acted as the Chairman of the Governing Body. The Principal Administrative Officer of each SFDA was a senior officer called the Chief Executive Officer (CEO) or Project Officer (PO) who was assisted by at least three Assistant Project Officers (APOs) and other supporting office staff - all located at district headquarters. The three APOs were generally

from the following backgrounds and departments:

- APO (Farm Management) - From Agriculture Department
- APO (Cooperation) - From Cooperative Department
- APO (Animal Husbandry) - From Animal Husbandry Department

The SFDA's had no field staff of their own and had to work through the staff of other concerned development departments, the Block Agencies and financial institutions. The SFDA's thus functioned mainly as catalysts and coordinators between the members of the target groups, credit institutions, development departments and the Block extension organisation in the field. The above system had been in operation in all the SFDA districts in the country including Tamil Nadu.

#### Governing Bodies of SFDA's

As already stated, the Deputy Commissioners/Collectors of the SFDA district acted as the Chairmen of the Governing Bodies of SFDA's. The Chief Executive Officers (CEOs) of SFDA's were the Member-Secretaries. The other members included the district heads of various development departments, representatives of banking and cooperative institutions (Commercial Banks were represented by the Lead Bank of the district), a representative of the State Government from the concerned department controlling SFDA and two non-official members nominated by the State Government. In Tamil Nadu, one of the non-official representative



was generally a Panchayat Union Chairman of a Block. For illustration, the composition of the Governing Body of SFDA Chengalpattu district of Tamil Nadu is given in Annexure-II.

The Governing Body was expected to meet at least once a quarter to discuss and deliberate upon the activities of the concerned SFDA, problems, if any, faced in implementation and suggest ways and means to solve them. There was also to be an Annual General Meeting at least once every year. Annual budget, schemes and programme of work were placed before the Governing Body for deliberation and approval.

The SFDA's prepared the scheme within the framework of guidelines issued by the Government of India. However, the SFDA's could also suggest new schemes which they may consider suitable for their area. After the approval of the Governing Body with modifications or otherwise, the budget, schemes and programme of work were sent to the State Level Coordination Committee for its clearance. This Committee could also suggest changes both in the content and nature of schemes. The State government then obtained the approval of the Government of India as this programme was being financed by them. Scheme-wise budget sanctions were received by SFDA's from the State government. The SFDA's had, however, the freedom to change inter-sectoral allocations upto 25 per cent. For changes above this limit, special sanction of the State government was required.

Differences between SFDA and IRD Programmes  
and Objectives of IRD Programme

With the introduction of the Integrated Rural Development (IRD) programme in India covering the entire country w.e.f. 2nd October, 1980, the IRD programme has been super-imposed on the earlier programme of SFDA's. It means that operationally SFDA programme has been merged with the IRD programme.

The IRD programme is a programme for the improvement of the living conditions of the rural poor. "The new IRD programme is similar to the SFDA programme in the sense that the new programmes envisage identification of the members of the 'target group' sought to be benefited and implementation of the schemes designed to improve their economic status. There are, however, some variations between the two programmes in terms of contents, coverage and emphasis. Firstly, while the coverage under SFDA is confined to agricultural sector, the non-agricultural sector, including industrial and tertiary sectors, has now been brought under the purview of the IRD. Secondly, the emphasis under IRD is not on providing just some kind of assistance and achieving the target of an impressive number of beneficiaries but on providing substantial assistance to the identified participants which should increase their incomes to a significant extent so that they cross, once for all, the 'poverty line'. Thirdly, while under SFDA, even among the members of the 'target group'

those with relatively larger land holdings derive maximum benefits, under IRD, the Antyodaya approach has been recommended in regard to the selection of the beneficiaries under which the poorest of the poor are to be selected first. Further, the IRD programme envisages monitoring of additional income generated in the case of each participant. Another major departure in the new programme of IRD is that family is the basic unit of development and economic programmes have to be devised for the family as a whole. The assistance provided should cover the whole package of services considered necessary to lift the family above the poverty line and not merely stray items like supply of storage bins, organising a demonstration or distribution of implements etc."<sup>11</sup> Thus, the formulation and implementation of economically viable schemes in the field of both agricultural and non-agricultural sectors to help the rural poor to cross the poverty line would be the lynch-pin of the IRD programme.

#### Administrative Set-up for IRD Programme - DRDAs

In the context of the need for Integrated Rural Development and the introduction of the IRD programme, doubts had been often raised with regard to achieving the objectives of IRD through the existing administrative arrangements of multiple agencies looking after various special programmes in the districts.

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11. Government of India, Ministry of Rural Reconstruction, Manual on Integrated Rural Development Programme, (New Delhi, January, 1980), pp.1-2.

In order to bring about integration of administrative arrangements both at the State and district levels, the Government of India issued the instructions to this effect in October, 1980. Two letters dated 4th October and 24th October, 1980, from the Government of India in this connection are given in Annexures III and IV, respectively. As regards the integration of administrative arrangements at the district level, the Government of India's Communication of 24th October, 1980 (Annexure IV) states as follows :

"At the district level, there should be a single agency for implementing all special programmes. This agency is to be named as the District Rural Development Agency/Society (DRDA). In the districts in which SFDA, DPAP agencies already exist, these will have to be merged and renamed. In other districts, where such agencies do not exist, such agencies will have to be created. The Agency will be headed by the Collector/Deputy Commissioner.

"The Agency should necessarily have a full-time executive officer preferably, a senior scale IAS Officer or his equivalent from the State Services....."

"The district agency which consisted of a Project Officer, 2-3 APOs, and some ministerial staff, is to be strengthened with the addition of a Credit Planning Officer, an Industries Officer, and an Economist/Statistician.....".

According to the Communication to the States from the Government of India dated 4th October 1980 (Annexure-III), the DRDAs should be registered as corporate bodies on the pattern of SFDA's. It says "At the district level, the national policy is to have one rural development agency, a society registered for this purpose on the SFDA pattern. ...The SFDA and IRD programmes have been merged and the IRD programme shall be implemented by the district level rural development agency. The DPAP and other rural development programmes will retain their separate identity but the implementation of these programmes also should be entrusted to one and the same district-level agency implementing the IRD programme....".

In short, wherever SFDA's existed, these have been converted into DRDAs and in other districts, new DRDAs are being set up. The Governing Bodies for DRDAs will also be on the same pattern as SFDA's and these will have the same responsibilities. This is what is also happening in Tamil Nadu. For instance, SFDA Chengalpattu district has been converted into DRDA Chengalpattu district with the same Governing Body (Annexure-II). The headquarters staff of DRDAs will be strengthened on the lines mentioned above and these will continue to operate through other concerned development departments, the Block Agencies and financial institutions. The job-charts of the three existing Assistant Project

officers (APOs) of the DRDA Chengalpattu district in Tamil Nadu are given in Annexure-V for illustration.

Functions of DRDAs

Arising from the objectives of the IRD programme mentioned earlier, the DRDAs are expected to perform the following functions :

- (i) Identification of the families below the poverty line (target group) in each Block. Those families having an income from all sources of less than Rs.3,500 per annum are to be treated as living below the poverty line.
- (ii) Preparation of plans (schemes) for assisting these families to improve their economic condition to come above the poverty line.
- (iii) Arrangement of institutional credit support for financing these plans (schemes) and providing financial assistance in the form of subsidy.
- (iv) Monitoring the progress of implementation of the schemes and follow-up action to ensure that the beneficiaries derive truly lasting benefits whereby they cross the poverty line.
- (v) Preparation of comprehensive development plans for every Block. These plans should be prepared in such a way that the targeted families derive full benefits on a lasting basis.



DRDAs have been given additional staff for preparing the Block Plans. The functions/responsibilities of the DRDAs will be greater than SFDAs in the following respects :

- (i) While SFDAs were mainly concerned with agriculture (including minor irrigation) and animal husbandry schemes, DRDAs will also cover the schemes in the secondary and tertiary sectors.
- (ii) DRDAs will have the responsibility of preparing comprehensive Block Plans which were not required under SFDAs.
- (iii) Target groups to be covered under IRD programme by the DRDAs will be all those families below the poverty line and the weakest among these are to be taken up for help first.

"The scale of funding under the Programme (IRD) will be Rs.5 lakhs (Rs.0.5 million) per block in the first year of the plan (Sixth Five Year Plan: 1980-85), Rs.6 lakhs (Rs.0.6 million) in the second year and Rs.8 lakhs (Rs.0.8 million) each in the last three years. This gradual stepping up will take care of the time that will initially be taken in developing the district/block plans, identifying all the eligible beneficiaries, building up the organisation and putting the programmes on a firm footing. In consonance

with the funding pattern, the target of beneficiary coverage could be lower in the first two years and higher in the last three years, with about 3,000 families covered on an average in each block over a full five year period."<sup>12</sup> The expenditure on the IRD programme will be shared on 50:50 basis between the Government of India and the State governments.

Thus the concepts of area planning and target group approach have been integrated under the IRD programme. On the other hand, the SFDA's were expected only to plan and implement schemes for the benefit of small and marginal farmers and agricultural labourers.

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12. Government of India, Planning Commission, Sixth Five Year Plan: 1980-85, (New Delhi), p.172.





### III

#### DEFINITIONS OF SMALL FARMERS AND POVERTY LINE

##### Small Farmers

In the context of the implementation of the SFDA programme, the Government of India has been issuing guidelines to the State governments including the guidelines for laying down of the definitions of small and marginal farmers and agricultural labourers with a view to bringing about some uniformity in concepts, definitions etc. The government of Tamil Nadu have also been following the same definitions as suggested by the Government of India.

Comprehensive guidelines on the definition of small and marginal farmers and agricultural labourers were issued by the Government of India in June 1974, in the context of the merger of SFDA's and MFALA's. These also took into account the earlier guidelines issued on the subject. The comprehensive guidelines issued by the Government of India laid down the following definitions and criteria for small and marginal farmers and agricultural labourers and these were also being followed in Tamil Nadu:

- (i) Small Farmers: Cultivators with land holding below 5 acres. In case of class-I irrigated land as defined in the land ceiling legislation, the ceiling will be 2.5 acres.

- (ii) Marginal Farmers: Cultivators having land holdings upto 2.5 acres. In the case of class-I irrigated land as defined in the land ceiling legislation, the ceiling will be 1.25 acres.
- (iii) Agricultural Labourers: Those without any land holding but having a homestead and deriving more than 50 per cent of their income as agricultural wages.

In addition, the guidelines specified that (a) small and marginal farmers and agricultural labourers should themselves be cultivators, (b) land holding limits will be applied on the basis of ownership holdings, (c) family unit should be taken as those normally living together as a household, (d) in respect of share croppers and tenants, such of them as have recorded rights should be identified as small and marginal farmers and (e) those with substantial off-farm income of Rs.200 per month or more for the family may not be included under any programme of the Agency.

The contents of the communication from the Government of India,<sup>13</sup> addressed to the State governments containing

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13. Ministry of Agriculture and Irrigation (Department of Rural Development) No.11011/2/74 A.C. dated 1/5 June, 1974.

the comprehensive guidelines on the definition and criteria to be followed for defining small and marginal farmers and agricultural labourers are given in Annexure-VI. A subsequent communication from the Government of India,<sup>14</sup> clarifying further some points is given in Annexure-VII.

It may, however, be stated here that in Tamil Nadu, only a simple distinction has been made between irrigated and unirrigated land without going into the complex exercise of working out conversion ratios between Class-I irrigated land and dry land (as suggested in Annexure VII) due to obvious difficulties. Hence, the ceiling limits of 2.5 acres of irrigated land for small farmers (or 5 acres dry land) and 1.25 acres of irrigated land for marginal farmers (or 2.5 acres of dry land) had been adopted by the Tamil Nadu government for the purpose of the SFDA programme in the State.

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14. Ibid., dated 14.10.1974

Poverty Line

With the introduction of the IRD programme in the entire country the categorisation of the weaker sections of rural society in terms of small and marginal farmers and agricultural labourers has been replaced by the concept of "poverty line". Further, the IRD programme is to be planned and implemented by the District Rural Development Agencies (DRDAs). These Agencies are expected to make special efforts, in a systematic manner for helping, on a priority basis, the weaker sections of society consisting of small and marginal farmers, share croppers, agricultural and non-agricultural labourers, rural artisans and families belonging to Scheduled Castes and Scheduled Tribes who are below the poverty line. Thus the main focus of the IRD programme is to bring these families above the poverty line.

According to the guidelines for the implementation of the IRD programme "For the purposes of identifying a family below the poverty line, an income of Rs.62 per head per month may be adopted. On an average, a rural family may have five members and thus those families having an income from all sources of less than Rs.3,500 per annum may be treated as living below the poverty line."<sup>15</sup>

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15. Government of India, Ministry of Rural Reconstruction, Manual on Integrated Rural Development Programme, (New Delhi, January 1980), p.4.



These families have to be identified through a household survey of all the households owning or operating upto 5 acres of land and other families whose total income prima-facie is less than Rs.3,500 per annum. Out of the identified families, the poorest among these have to be helped first, through economically viable development schemes, to rise above the poverty line.

IDENTIFICATION OF SMALL FARMERS

The identification of small farmers, marginal farmers and agricultural labourers by the SFDA's in Tamil Nadu was done in two stages. The objective of the first stage was mainly to identify the total number of small and marginal farmers within the area of each SFDA. For this purpose, the village-wise lists were got prepared by the SFDA's through the revenue agency on the basis of village accounts i.e. village land records. These lists were supposed to be subjected to ten per cent test-check by a revenue officer (Tehsildar) provided to each SFDA in Tamil Nadu, to ensure their authenticity. But on account of the enormity of the work involved and its time-consuming nature, this work was generally done in a routine manner and, at times, without proper test-checking. The work had also not been completed in all cases. At best, this exercise provided a rough idea to the SFDA's about the broad magnitude of the total number involved.<sup>16</sup>

There were also other problems due to which the above lists could not be considered very authentic. An evaluation

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16. Each SFDA project was expected to cover 50,000 families of small and marginal farmers and agricultural labourers.



study of one SFDA in Tamil Nadu makes the following observations in this respect :

"List of eligible families was prepared for each village by making use of the village accounts, no doubt. But the subsequent stages of verifying, screening, weeding and selecting have not been attempted at all as a result of which one finds now a lot of anomalies in the composition of beneficiaries.

"It is obvious that village accounts can form a basis for the preparation of a list of families in relation to the size of holdings but it is not a very safe basis to be acted upon. In many cases, some persons may hold more than one patta. Persons may hold lands in different villages. Besides, enumeration of pattas in village accounts is done on individual basis. Since the family is treated as a unit under SFDA, to proceed on the basis of the size of holding of a person as found in the village accounts may give a distorted picture. Evidence as to the fact that verification and selection have not been attempted by the Agency is found in the sample (taken up for evaluation study). In the sample of 490 beneficiaries, it was found that 95 could not become eligible in the category under which they were found to be enumerated."<sup>17</sup>

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17. Government of Tamil Nadu, Evaluation and Applied Research Department, Evaluation Report on Small Farmers Development Agency Chengam (North Arcot District), (Madras, October 1978), p.28.

To get over the variety of problems mentioned above, all SFDA's in Tamil Nadu prescribed an Identification Form, as a second stage operation, to be filled in by the eligible beneficiaries (small and marginal farmers and agricultural labourers) through the Rural Welfare Officers i.e. the Village Level Workers under the Block Agency. A copy of the prescribed Identification Form by the SFDA Changanpattu district of Tamil Nadu is given at Annexure VIII for illustration. These forms had to be authenticated by the Village Karnams i.e. the village level revenue officials and recommended by the Block Development Officers. After their recommendation, these were sent by the Block Development Officers to the SFDA. The SFDA's also had on their staff one Tehsildar from the revenue department. The Tehsildar was required to test-check about 10 per cent Identification Forms from the Village Karnam's records. In case there was any complaint or doubt, the identification was done afresh. At the end, SFDA issued an Identity Card (i.e. Eligibility Card) to the concerned person and separate Identity Cards had been prescribed for the three categories i.e. small farmers, marginal farmers and agricultural labourers. Each card was given a number and their lists with numbers were sent to the financial institutions in the area. For availing the prescribed subsidy from the SFDA, an eligible

beneficiary had to give his Identity Card number on his loan application. An eligible person could send his loan application to the concerned financial institution either directly or through the SFDA.

It may, however, be stated here that the identification of the eligible beneficiaries through the procedure of Identification Form explained above had not been completed by the SFDA's in Tamil Nadu so as to get a complete count of small and marginal farmers and agricultural labourers in their area. The SFDA Officers and the Block staff went on explaining the SFDA programme to the eligible categories in the villages and those who were interested in taking up the schemes/those who were persuaded to participate to achieve the SFDA targets, were taken up for identification purposes. As a result, identification of eligible persons had remained a continuous process with the SFDA's in Tamil Nadu.

To complete the picture, it may also be mentioned here that under the recently introduced IRD programme, this identification is being done in a systematic manner through a complete household survey of households owning or operating less than five acres of land and other families whose total income prima-facie is less than Rs.3,500 per annum. Since this

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household survey is also linked with the formulation of schemes for different categories of households including small and marginal farmers, the details in this regard have been discussed in the next Section - Formulation of Schemes and Involvement of Beneficiaries.

FORMULATION OF SCHEMES AND INVOLVEMENT OF  
BENEFICIARIES

Schemes for Small Farmers

For helping the small farmers, all SFDA's in the country including Tamil Nadu were given the freedom to devise appropriate plans and schemes which they considered most suitable for their areas. Further, the plans and schemes were to be such which should result in increased production and "viability" of the small farms.

In this connection, the basic guidelines regarding the preparation of SFDA schemes for assisting the small farmers to become viable were issued by the Government of India in November, 1969, when the SFDA programme was started in the country. These guidelines stated that "The Agency is expected to draw up plans for investment and production activities to be undertaken by the supported farmers. Individual plans for all participating farmers are not ruled out but more often the Agency may prepare various model schemes and patterns of assistance to suit the needs of cultivators in different situations. For example, separate schemes may be drawn up to guide, say cultivators (a) with two acres of holdings with irrigation, (b) with four acres of holding without

irrigation, (c) with three acres of well and electricity pumpsets, (d) with two acres and a number of birds for poultry. In other words, there will be various plans of investment, production and income related to these credit operations, which should be suitable for cultivators in different sets of circumstances. Supplies, services and credit must be provided only on the basis of these programmes. Since this is a scheme for supervised credit and the role of the Agency is not confined to mere arrangement for credit, it is necessary that the operations to be undertaken by the small farmers must be well thought out and must in fact, lead to increased production and viability of the farm, recovery of dues and payments etc. No specific programmes are being laid down here as it is intended to provide full flexibility to the Agency to devise programmes most suitable for the areas with which it is concerned."<sup>18</sup>

Among other things, the above guidelines had stressed the need for preparing separate schemes to help the small farmers in different asset situations for enabling them to increase their production and become viable. But operationally, this suggestion could be implemented only if two pre-conditions

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18. Government of India, Department of Rural Development, Compendium of Instructions on SFDA/MFAL projects, (September, 1975), p.41 (Letter No.11-21/69-Agri.Cr. dated 19.11.1969).



were satisfied: (a) the concept of "viability" was defined in income terms and (b) for each proposed scheme, cost-benefit data were compiled. It is only through these sets of information that the SFDA's could determine the income gaps of selected beneficiaries and suggest suitable scheme(s) to help them to become viable. In actual practice, the term "viability" was neither defined by the Government of India nor by the Tamil Nadu government. The SFDA's in Tamil Nadu also made no efforts in this direction to define the term "viability". Similarly, no efforts were made by the SFDA's in Tamil Nadu to undertake detailed cost-benefit analysis of various schemes and to prepare different packages of schemes for the varying asset conditions of the small farmers to make them viable. Thus, the general interpretation of "viability" followed in Tamil Nadu was that any scheme which helped a small farmer to increase his production/income, in turn, improved his viability.

As regards formulation of specific schemes for improving the condition of small and marginal farmers, the SFDA's in Tamil Nadu generally prepared the schemes based on the conditions and potentialities of their areas. In this connection, field visits were also undertaken by the SFDA staff to get the feel of the place by talking to farmers (particularly to small and marginal



farmers), members of the Village Panchayats, Block Development Officers, and the officers of other development departments at the district level. Since most of the SFDAs sanctioned during the Fourth Five Year Plan (1969-74) started functioning at the field level from 1971-72 and many years have already passed when the schemes were originally formulated by them, it was not possible now to get information on the specific manner in which the small <sup>and marginal</sup> farmers in Tamil Nadu were actually consulted about the suitability of various schemes by different SFDAs. It, however, appears that various schemes for helping the small and marginal farmers were generally selected by the SFDAs in Tamil Nadu on the following basis: (a) past experience under C.D. programme in respect of schemes in the fields of agriculture, minor irrigation and animal husbandry operating in the given area, (b) field knowledge of the district level officers of the concerned development departments and the Block Development Officers and (c) some discussions with the farmers at the village level. On this basis, the SFDAs in Tamil Nadu opted for the schemes which were generally known to be having good scope for increasing production and income of the farmers.

The discussions for formulating the schemes were held by the SFDAs' staff in an informal manner and the only

institutional arrangements which existed for formal discussions and deliberations on these schemes were the Governing Bodies of the SFDA's. The scheme so formulated by the SFDA officers were then discussed and finalized by their Governing Bodies. Whether the consultations at various levels by the SFDA's staff in Tamil Nadu were held in an organised and systematic manner or not depended entirely on the initiative, approach and style of working of mainly the two most important functionaries in the system i.e. the District Collector and the Project Officer of the SFDA. In some cases, these consultations must have been undoubtedly done in a systematic and purposeful manner. As regards involvement of the small and marginal farmers in the formulation of schemes, as stated earlier, they were also informally consulted through village meetings due to the non-existence of formal organisations of the small and marginal farmers and rural poor linked with the development process in Tamil Nadu.

The detailed list of schemes in operation in the country under the SFDA programme for helping the small and marginal farmers and agricultural labourers is given in Annexure-I. Practically, all these schemes have also been in operation in Tamil Nadu. Among these, the major schemes in Tamil Nadu for helping the small and marginal farmers individually through

arrangements for institutional credit and subsidy cover the following<sup>19</sup> :

Minor Irrigation

- Individual minor irrigation works including installation of pumpsets.

Agriculture

- Agricultural implements
- Plough bullocks
- Farm carts
- Storage bins
- Land development/levelling and soil conservation.

Animal Husbandry

- Milch animals
- Poultry
- Rearing of sheep, piggery etc.

Approach under IRD Programme

On the basis of the past experience of working of the SFDA's and the objectives of the IRD programme in terms of raising the weaker sections of rural society above the poverty line, a more systematic approach through full involvement of

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19. Government of India, Planning Commission, Programme Evaluation Organisation, Report on Evaluation Study of Small Farmers, Marginal Farmers and Agricultural Labourers Projects: 1974-75 (1979), pp.69-70. Also see, Government of Tamil Nadu, Evaluation and Applied Research Department, Evaluation Report on Small Farmers Development Agency Chendoam (North Arcot District), (Madras, October 1978), p.15.

The agricultural labourers got help mainly under animal husbandry schemes.

the rural poor households is being followed for the formulation of schemes under the IRD programme. The IRD programme also envisages the preparation of Block Plans covering a five year development plan as well as annual action plan and the systematisation of the approach has been introduced as a part of this planning process.

In the context of implementation of the IRD programme, the Government of India had initially issued the Guidelines for Block Level Planning in December, 1979.<sup>20</sup> These guidelines have been subsequently followed by the issue of Operational Guidelines for Preparation of IRD Blocks Plans, in March 1981.<sup>21</sup> The Operational Guidelines state that "Since conditions in rural areas in various parts of the country differ and the administrative capabilities and experience in preparation of such plans would be somewhat different in different parts of the country, these guidelines will have to be adapted to suit both the local requirements and capabilities. The guidelines are essentially in the nature of a model for enabling those who are engaged in the formulation and implementation of Integrated Rural Development to organise their ideas and action plans in a

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20. Government of India, Planning Commission, Guidelines for Block Level Planning, (December, 1979).

21. Vide Government of India, Ministry of Rural Reconstruction, Letter No.11011/52/80-IRD III(I), dated 16th March, 1981.

systematic manner and to implement the IRD programme having regard to the objectives in accordance with a sound methodology. Since these are only guidelines, State Governments/Project Officers may make such modifications as are found necessary in the light of the local conditions and it is not necessary to write to this Ministry for changing any detail or to add any steps which may be essentially of a local nature. However, if the State Governments/Union Territories have any major modifications to suggest, which are of state-wide or national importance, we will be very happy to consider them and bring them to the notice of other States."<sup>22</sup> Since the Guidelines on Block Level Planning have been issued only recently and the planning staff of the DRDAs has still to come into position in most of the districts, the action on the preparation of the Block Plans has not yet started in an effective manner in the State.

The Guidelines on Block Level Planning do raise a few questions and issues which are out of the scope of the present study. However, if one could add just for illustration, some important issues that need to be examined in this connection are: whether the arrangements visualized in terms of staff support to DRDAs are adequate for preparing the Block Plans and their integration into the district plans as also for

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22. Ibid.

effective follow-up, monitoring and evaluation of the IRD programme; what will be the specific nature of linkages of DRDAs with Planning/other Departments at the State Level and Panchayati Raj Institutions at the district and lower levels; and how will coordination and integration be made effective all along the line.

Coming to the formulation of suitable schemes for helping the rural poor to cross the poverty line, the Operational Guidelines for Preparation of IRD Blocks Plans referred to earlier provide for the conduct of a household survey both for the identification of the rural poor as also for formulating suitable schemes for each family. This survey is to be restricted to the households owning or operating less than five acres of land and other families whose total income prime-facie is less than Rs.3,500 per annum. The household survey schedule covers the details of the family members, particulars of land owned/operated and other assets including livestock and birds, cropping pattern, income from agricultural and other sources, indebtedness, schemes in which the household is interested for improving its economic condition<sup>etc.</sup> In the case of proposed scheme, a check list of schemes has also been suggested which could be enlarged or modified keeping in view the local conditions. The check list of scheme



contains a variety of items under agriculture, irrigation, animal husbandry, village industries, tertiary sector (service/business) and others. It is implied that the DRDAs will have to work out broad cost-benefit of various schemes so as to devise suitable packages for different households to enable them to cross the poverty line. For working out the annual income of the households from agriculture and other activities, the DRDAs have been advised to work out the norms for various activities such as net annual income from one acre of wet/dry land under various major crops, from one local/graded cow/buffalo, from a unit of poultry, from leather, black-smithy, carpentry etc. In this way, the approach under IRD programme is more systematic as compared to SFDA's both in terms of calculation of annual income of the rural poor and the selection of schemes for families with different sets of conditions.

As the Operational Guidelines for Preparation of IRD Blocks Plans were issued only recently, the work relating to the collection of information through household surveys was still in progress in Tamil Nadu. The household survey in Tamil Nadu was being conducted by the Rural Welfare Officers (RWOs) i.e. the Village Level Workers attached to the Block Agencies. After the household schedules in a village are



filled-in by the RWO, these are authenticated by the Village Karnam i.e. by the revenue official at the village level as he has the details of land records with him. Thereafter, these household schedules are sent to the DRDA through the concerned Block Development Officer. The DRDAs also have on their staff a Tehsildar from the revenue department. The Tehsildar is required to test-check about 10 per cent household schedules after these are received by the DRDAs. After this sample check on the ground is completed, each household falling below the poverty line is given an Identity-cum-Monitoring Card by the DRDAs. In addition to the categorisation of rural poor according to household income levels, these are also classified as small farmers, marginal farmers, agricultural labourers, non-agricultural labourers, rural artisans, and service and petty business households and each is given a different Identity-cum-Monitoring Card.

The formulation of detailed schemes by the DRDAs and working out of their cost-benefit analysis was still in preliminary stages in Tamil Nadu. In the meantime, old SFDA schemes with the same pattern of subsidy continue to remain in operation in Tamil Nadu in respect of small and marginal farmers and agricultural labourers.

### Implementation of Schemes

After the schemes are formulated by SFDAs/DRDAs, like elsewhere in the country, the implementation of these schemes, at the field level, in Tamil Nadu is done through Block Agencies with the help of credit institutions. For the supply of credit, two agencies are involved - cooperatives and commercial banks.

It may also be mentioned here that agricultural inputs (fertilizers, improved seeds and pesticides) are supplied to the farmers through cooperatives, agriculture departments' depots and private dealers. Agricultural extension is provided by the Block Agencies. There are, however, no separate agencies in Tamil Nadu for providing credit and other agricultural inputs exclusively to small and marginal farmers and the arrangements for these supplies to all categories of farmers are the same. There is also no reservation in terms of proportion of agricultural inputs for small and marginal farmers only. However, some norms have been laid down for the reservation of cooperative credit (including short-term crop loans for the purchase of agricultural inputs<sup>etc.</sup>) for small and marginal farmers. There is also an earmarking of a proportion of commercial bank credit for Priority Sectors including agriculture and weaker sections which also cover small and

marginal farmers. The details in this regard are given in the Section "Supply of Institutional Credit". The details of coordination/implementation and other supply arrangements are also discussed in the following Sections.



COORDINATION AT THE NATIONAL LEVEL

Both the earlier SFDA and now the IRD programme were started by the Government of India to improve the economic condition of the weaker sections of the rural society and the State governments were given the responsibility for their implementation. Till 1978-79, entire funds for the SFDA programme were made available by the Government of India. In the case of IRD programme, however, 50 per cent funds are provided by the Government of India and the balance is to be made available by the State governments.

The responsibility for policy, guidance and coordination, at the national level, rests with the Union Ministry of Rural Reconstruction. This Ministry has, at present, four major Divisions dealing with (a) IRD programme (and earlier SFDA programme), (b) Rural Employment programme which is again for the benefit of the weaker sections, (c) Drought Prone Area programme (DPAP) under which assistance is also provided to small and marginal farmers and agricultural labourers besides the schemes for restoring ecological balance in these areas and (d) Marketing, storage and rural godowns.

Since in the implementation of both the earlier SFDA and now the IRD programme, cooperative and commercial banks had/have to play an important role for providing credit to

the weaker sections of the rural society, the Union Ministry of Rural Reconstruction keeps a close liaison with the Department of Agriculture and Cooperation of the Union Ministry of Agriculture, Union Ministry of Finance and with the Reserve Bank of India which controls the entire banking structure in the country.

The main mechanisms used by the Union Ministry of Rural Reconstruction for policy guidance and coordination with the States are through : (a) issue of guidelines and policy directives, (b) visits by its senior officers to the States for discussion, exchange of ideas and guidance, (c) monitoring of the progress and (d) regional/national conferences..

According to the IRD guidelines, "With a view to ensuring effective coordination at the National level, senior officers in the Ministry of Rural Reconstruction have been allocated Area-wise responsibilities for overseeing the implementation of special programmes of the Ministry... . Area Officers are expected to attend the State Level Co-ordination Committee meetings and offer necessary clarifications on the points which may be raised in the meetings of the Coordination Committee.... . Apart from attending State Level Coordination Committee meetings, these officers will also review the progress of the TRYSEM (Training of Rural Youth

for Self-Employment), Food for Work Programme, Minor Irrigation, Construction of Rural Godowns and other rural development programmes being implemented in the States/UTs (Union Territories). The Area Officers are also expected to undertake field visits to gather first hand experience of the operational aspects of implementing various rural development programmes. This would enable this Ministry to have a closer understanding of these aspects than is made possible through correspondence."<sup>23</sup>

The Regional Conferences on Rural Development are held at suitable State headquarters in various regions once a year for three days each. These are attended by the concerned Secretaries to State governments incharge of these programmes in the region. The Government of India's team for these Conferences is headed by the Additional Secretary in the Ministry of Rural Reconstruction and includes the Joint Secretaries incharge of various Divisions in the Ministry. These Conferences are also attended by the senior officers from the Union Ministries of Agriculture, Finance and Industry (small scale industries) and from the Planning Commission and the Reserve Bank of India. The main focus of discussions is on the policy and coordination issues covering all aspects of

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23. Government of India, Ministry of Rural Reconstruction, Manual on Integrated Rural Development Programme, (New Delhi, January 1980), pp.27-28.



rural development. Since the schemes for helping the rural poor are linked with bank loans, detailed discussions are also held on operational and procedural aspects of obtaining bank finance for various schemes of rural development. There is also a review of the progress made.

National Conferences on the lines of the Regional Conferences are held once a year on each of the major rural development programmes controlled by the Ministry of Rural Reconstruction. In addition, one National Conference on monitoring and evaluation is also held.

Wherever necessary, the issues relating to the supply of institutional credit are brought out during the visits of the officers of the Union Ministry to the States or in the conferences or through the communications sent by the State governments are taken up by the Ministry of Rural Reconstruction with the Reserve Bank of India and the concerned Union Ministries. At times, special meetings are arranged among senior officers to sort out the issues involved.

COORDINATION AT THE STATE LEVEL

As stated earlier, the programme of Integrated Rural Development (IRD) in India was launched in a phased manner during 1978-79 and later, it was extended to the entire country w.e.f. 2nd October, 1980. In this process, the IRD programme was super-imposed on the earlier programme of Small Farmers Development Agencies (SFDA's) and operationally SFDA programme was merged with the IRD programme.

During the short period of time when both SFDA and IRD programmes remained in operation independently in different parts of the country, in many cases these were being supervised and coordinated by different departments at the State level. The SFDA programme was being administered by the Agriculture Department in most of the States, whereas in some States, the IRD programme was being handled by the Development Department.<sup>24</sup> In this situation, the Government of India had strongly advised the State governments that these programmes should be handled by a single agency to ensure effective coordination. "Ideally, the three programmes viz. SFDA, IRD and DPAP (Drought Prone Areas Programme) should be dealt with by a

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24. Ibid., p.27.

single department at the state level and an officer of the rank of Commissioner/Special Secretary/Joint Secretary should be entrusted with the responsibility of implementing these programmes..... . If it is not feasible to assign responsibilities for implementing this programme to a single department at the state level, at least SFDA and IRD programmes should be brought together in a single department since the contents of these two programmes are very similar and IRD guidelines have now been extended to SFDA."<sup>25</sup>

In the case of Tamil Nadu, however, the responsibility for supervision and coordination of SFDA and DPAP at the State level had been with the Agriculture Department since the beginning and the responsibility for the IRD programme has also been entrusted to the same department. Thus, at the state level in Tamil Nadu, there has not been any problem of duality of control in this regard. The Agriculture Department in Tamil Nadu is headed by the Commissioner and Secretary to the Government. His overall responsibilities of coordination of these programmes as also in respect of agriculture and allied activities have been spelt out by the State government as follows :

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25. Ibid.

"In order to ensure effective coordination between the various departments concerned with Agriculture and Food Production in the state, the Government have appointed the Commissioner and Secretary to Government, Agriculture Department as Agricultural Production Commissioner. Important functions of the Agricultural Production Commissioner are to supervise and guide the activities of the Agriculture, Dairy Development, Animal Husbandry and Food Production Departments and also of Command Area Projects, Minor Irrigation and work connected with DPAP and SFDA in respect of agricultural production. He will also be the coordinating authority between the Agricultural University and various departments and autonomous bodies concerned with agricultural production."<sup>26</sup>

#### State Level Coordination Committee

With the start of SFDA/MFAL projects in the country over a decade ago, the Government of India had advised the State governments to set up State Level Coordination Committees under the Chairmanship of the Chief Secretary/Development Commissioner/Agricultural Production Commissioner, as the case may be, to review, at least once a quarter, the progress of the SFDA/MFAL projects under implementation in the State. The Heads of concerned Departments were also represented on these Committees.<sup>27</sup> The representatives of other concerned agencies/institutions could also be coopted. As regards

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26. Government of Tamil Nadu, Department of Agriculture, Policy Note on Agriculture: 1981-82, (Madras, 1981), p.3.

27. Government of India, Ministry of Agriculture and Irrigation, Department of Rural Development, Compendium of Instructions on SFDA/MFAL Projects (September 1975), pp.32-33.

linkages with the Government of India, a senior officer of the Union Department of Agriculture was also nominated to attend these meetings. Besides coordination and review of progress, the State Level Coordination Committee had also the responsibility of clearing various schemes and programmes of action in respect of SFDA/MEAL projects. These committees were accordingly established in all the States including Tamil Nadu.

With the introduction of the IRD programmes, these State Level Coordination Committees were expected to sanction Block Level plans and provide coordination, general supervision and direction in the implementation of the IRD programme in the States. The Government of India representatives of the Ministry of Rural Reconstruction on these Committees were expected, among other things, to offer necessary clarifications on the points which may be raised in the meetings as also to undertake field visits to gather first hand experience of the operational aspects of implementing various rural development programmes.<sup>28</sup>

The government of Tamil Nadu feels that to ensure effective and purposeful coordination, the State Level Coordination Committee should be a compact and manageable one.

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28. Government of India, Ministry of Rural Reconstruction, Manual on Integrated Rural Development Programme, (New Delhi, January 1980), pp.27-28.

It has accordingly set up a compact and a high level committee for the coordination of the IRD programme under the chairmanship of the State Chief Secretary. The other eight members of the Committee are as follows :

(i) Secretary, Agriculture	Member
(ii) Secretary, Cooperation	"
(iii) Secretary, Finance	"
(iv) Secretary, Rural Development and Local Administration	"
(v) Secretary, Industries	"
(vi) Secretary, Forest and Fisheries	"
(vii) Additional Secretary, Ministry of Rural Reconstruction, Government of India	"
(viii) Deputy Secretary (IF), Agriculture Department	Member-Secretary

The Department of Agriculture serves as the Secretariat of this State Level Coordination Committee on IRD.

This Committee is charged with the following responsibilities and functions :

- (i) To identify suitable programmes for Rural Development Under the broad guidelines issued by the Government of India.
- (ii) To identify maladies and suggest appropriate remedies in the form of action plan.
- (iii) To accord sanction to the Block plans under the IRD programme received from the District Collectors.



- (iv) To review the progress of schemes under the IRD programme.
- (v) To monitor the performance and evaluation of the IRD programme.

This committee was earlier also discharging similar responsibilities in respect of SFDA programme. The Committee is expected to meet once in two months or as often as necessary. The Heads of Departments, District Collectors and Project Officers of DRDAs are also invited, as required, to attend these meetings.

The Coordination Committee has been meeting, by and large, regularly and it was felt by the concerned senior officers of Tamil Nadu government that it has been discharging its responsibilities in an effective manner. This happened because the Committee was high powered, small in size and was properly serviced.

It may, however, be stated here that the IRD programme in Tamil Nadu, as also elsewhere in the country, is being implemented through the Block Agency i.e. the Block Development Officers and other Block staff. In Tamil Nadu, the Block set-up is under the control of the Department of Rural Development and Local Administration whereas the responsibility of IRD programme rests with the Agriculture Department at the State level. The coordination at the district and lower levels is

being exercised by the District Collectors. A view was expressed that with the Chief Secretary at the state level and Collectors at the district levels, the coordination arrangements were adequate and effective. However, the important issues involved and the main directions of required change in these arrangements at the district and lower levels are discussed at the end of the next Section dealing with "Coordination at the District and Lower levels."

#### State Level Bankers Committee

For the coordination and review of credit supply, there is also a State Level Bankers Committee which is convened twice a year by one of the Lead Banks. This Committee consists of the representatives of all commercial banks operating in the State, Reserve Bank of India, Agricultural Refinance and Development Corporation, Industrial Development Bank of India, Tamil Nadu State Cooperative Bank, Tamil Nadu State Land Development Bank and a representative from the State Department of Finance. The details about this Committee are given in the Section on "Supply of Institutional Credit" under the heading Credit Planning and Coordination.

COORDINATION AT THE DISTRICT AND LOWER LEVELS

District has been the most important level in India for planning and coordinated implementation of the programme/schemes for small and marginal farmers and agricultural labourers under the earlier SFDA programme. With the introduction of the IRD programme in the entire country and setting up of DRDAs, the district level has become still more important as the DRDAs have been given the responsibilities for preparing comprehensive development plans for the Blocks as also for preparing programme/schemes for improving the condition of households below the poverty line and their coordinated implementation.

The formulation of schemes under the earlier SFDA programme and now under the IRD programme and the introduction of Block level planning have already been discussed under the Section on "Formulation of Schemes and Involvement of Beneficiaries." In this Section, it is proposed to discuss the institutional arrangements for coordinated implementation and review of the development programmes/schemes at the District and lower levels in Tamil Nadu with particular emphasis on the schemes for small and marginal farmers. It may be stated here that "Coordination" means synchronized action through keeping the various segments of an organisation in

proper relationship to each other for achieving its goals.

### Coordination at the District Level

The District Collectors in Tamil Nadu have been assigned the responsibility for coordination and review of all development programmes/schemes operating in the districts; and Block Agencies have been placed completely under their charge.

Heads of all the development departments at the district level including Project Officer, DRDA and all the Block Development Officers in the district are required, in Tamil Nadu, to send progress reports to the District Collector, on a monthly basis, in respect of each of their schemes. These monthly progress reports are handled in the Office of the District Collector by a senior level officer with the designation of Personal Assistant to the Collector (Panchayat Development). The main responsibilities of this officer are to assist the District Collector in monitoring to keep an effective track of the progress of all development schemes in the district and to supervise the functioning of the Block Agencies in the district on behalf of the District Collector.

Based on the above monthly progress reports and any other information that may be available to the District Collectors, Monthly Plan Review Meetings are held, at the district level, under the chairmanship of the District

Collectors and are attended by all district level officers including Project Officer DRDA. These meetings are generally held on a fixed date. For instance, in the case of Chengalpattu district of Tamil Nadu, such meetings are held on the 2nd Friday of each month.

The main purpose of these meetings is to review the performance of all the development programmes/schemes operating in the district including SFDA programme earlier and IRD programme now, to sort out the problems of coordination and delays and to discuss any other matters bearing on the working of various developments/agencies in the district. If required, the concerned officers are requested to speed up the work. Problems, if any, are also discussed, suggestions are invited and appropriate decisions are taken to improve the situation. The progress of follow-up action is reviewed in the next monthly meeting. A copy of the proceedings of these Monthly Plan Review Meetings conducted by the District Collectors is also sent to the Chief Secretary to the Government of Tamil Nadu.

Since one of the major responsibilities of earlier SFDA's and now DRDA's under IRD programme continues to be to arrange loans for the members of the target groups through various financial institutions, proper liaison and coordination of

SFDAs/DRDAs with these institutions was of crucial importance for successful implementation of their schemes. This co-ordination had been/continues to be affected through the District Level Consultative Committees of Banks. These committees are also headed by the District Collectors and the senior officer of the Lead Bank of the concerned district acts as the convenor of this committee. The other members of these committees include (a) representatives of all commercial and cooperative banks in the district, (b) a representative of the Reserve Bank of India called Lead District Officer, (c) a representative of the cooperative department at the district level, (d) Personal Assistant to Collector (Panchayat Development), (e) Project Officer SFDA earlier and now DRDA, (f) all Divisional Development Officers in the district and (g) any other departmental officer at the district level concerned with credit arrangements e.g. for dairying and industries.

The main functions of the District Level Consultative Committees are: (a) to deliberate upon and finalise the District Credit Plans prepared by the Lead Bank of the concerned district. These Credit Plans are prepared for a period of three year - the current plans cover the period from 1980 to 1982 (calender years), (b) to deliberate upon and finalise the Annual Action Plans for credit, (c) to review the progress



of credit supply under various schemes according to the Annual Action Plans and (d) to sort out any problems of delay and issues of coordination etc. in the field of credit.

Both the District Credit Plans and Annual Action Plans for credit cover all banking institutions in the district (both cooperative and commercial banks) as also all sectors of the district economy including the schemes under earlier SFDA programme and now under IRD programmes as broadly indicated below :

- (i) Agriculture: Crop loans, minor irrigation loans, farm equipment loans, loans for plough bullocks, land development loans, horticulture development loans, storage and godown loans.
- (ii) Activities Allied to Agriculture: Dairy loans, poultry loans, calf rearing loans, piggery loans, loans for gobar gas plants, loans for fodder grass cultivation, loans for country boats and nylon nets.
- (iii) Rural and Cottage Industries: Loans for shoe-making, oil ghanis, carpentry units, village pottery, basket making, aerated water units and other household industries.

- (iv) Small Scale Industries: Loans for rice, oil and flour mills, wooden/steel furnitures manufacturing, bakery products, confectionary units, footwear manufacturing, repairing workshops, power oil ghanis, saw mills, washing soap manufacturing etc. etc.
- (v) Other Sectors: Loans to transport operators, retail trade and small business, professionals and artisans etc.

The Annual Action Plan for credit provides the sectoral and scheme-wise targets for the individual banks in respect of their credit deployment.

Thus, the review of progress of credit supply in respect of all the schemes including the schemes earlier under SFDA programme and now under IRD programme and credit institutions is made in the meetings of the District Level Consultative Committees of Banks which are held on a quarterly basis.

Since the District Level Consultative Committees of Banks have a large membership (at times over 40 members as in the case of Chengalpattu district, for instance) and meet only once in a quarter, smaller Standing Committees of District Level Consultative Committees of Banks have been constituted practically in all the districts of Tamil Nadu to look into various aspects of credit operations and sort out problems on

a continuing basis. The District Collectors also act as Chairmen of these Standing Committees and an officer of the concerned Lead Bank for the district discharges the responsibilities of the Convenor of the Committee as its Member-Secretary. The Project Officers of earlier SFDA's and now DRDA's are also the members of these Standing Committees. As an illustration, the Standing Committee of the District Level Consultative Committee of Banks in Chengalpattu district of Tamil Nadu was composed of the following twelve government/bank officers :

- |                  |   |
|------------------|---|
| Chairman         | : District Collector  |
| Member-Secretary | : Development Manager of the Lead Bank of the district (Indian Bank)  |
| Members          | : - Lead District Officer, Reserve Bank of India.   |
|                  | - Five members from commercial banks  |
|                  | - One member from cooperative bank  |
|                  | - Three official members i.e. Project Officer SFDA/DRDA, General Manager District Industries Centre and Personal Assistant to the Collector |

The specific functions of the Standing Committee for Chengalpattu district were listed as follows :

- (i) Identifying the feasibility of formulating new bankable schemes and assisting in the review of District Credit Plan.

- (ii) Looking into the question of availability of necessary infra-structural facilities and supply of inputs for the schemes.
- (iii) Examining the factors impeding the flow of credit to any of the schemes.
- (iv) Making suggestions for rationalisation of loaning policies and procedures of institutional credit agencies.
- (v) Looking into the problems concerned with the end use of credit and recovery of dues.
- (vi) Devising ways and means to ensure proper coordination among all concerned agencies.
- (vii) Following-up closely the decisions taken at the District Level Consultative Committee meetings and ensuring prompt submission of data etc.

These Standing Committees in Tamil Nadu generally meet once a month.

In the meetings of both the District Level Consultative Committees of Banks and their Standing Committees, the discussions cover the totality of credit plan and arrangements in respect of all sectors and schemes including SFDA programme earlier and IRD programme now.

### Coordination at the Divisional Level

Districts in Tamil Nadu are divided into Divisions and on the development side, next lower unit is the Block. Each Division, on the development side, is headed by a Divisional Development Officer (DDO). The DDOs have the responsibility of supervising and reviewing the progress of the entire gamut of activities of the Blocks in their areas. The totality of development activities at the Block level in Tamil Nadu can be broadly classified into the following three categories :

- (i) The activities which have been entrusted to Panchayati Raj Institutions at the Block level and for which grants are provided by the State government. The important activities among these include improvement, protection and maintenance of minor irrigation sources; construction of community wells; maintenance of local roads; opening, maintenance and expansion or improvement of elementary schools; promotion of maternity and child welfare services through Maternity and Child Welfare Centres; and establishment and maintenance of Panchayat Union Dispensaries.<sup>29</sup> The grants are provided by the Rural Development and Local Administration Department which controls both the Block Agencies and Panchayati Raj Institutions in Tamil Nadu.

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29. Government of Tamil Nadu, Policy Note on Community Development and Municipal Administration, 1981-82.

It may be mentioned here that elementary schools have been taken out of the purview of the Panchayat Union Councils w.e.f. 1st of June, 1981.

(ii) Other development schemes of the Rural Development and Local Administration Department for which funds mainly come from this department. The important activities in this category include construction and improvement of link roads; construction of elementary school buildings; social education; construction of Panchayat Union staff quarters; construction of Village Panchayat Office buildings; and self-sufficiency scheme covering provision of the following facilities at the village level in the entire State in four years starting from 1980-81 - drinking water supply, link roads, culverts, improvement of minor irrigation sources, rural dispensaries, maternity and child welfare centres, school buildings, houses and pathways for the weaker sections of society called Adi Dravidas.<sup>30</sup> For these activities, funds from some of the special schemes like National Rural Employment Programme are also being used.

(iii) Schemes of other development departments covering agriculture, minor irrigation, animal husbandry, fisheries, health and family welfare, social welfare, etc. and SFDA programme earlier and IRD programme now.

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30. Ibid.



The Panchayati Raj Institutions at Block level in Tamil Nadu are known as Panchayat Union Councils and these operate through Block Agencies which act as their executive arm. Accordingly, the full designation of Block Development Officers in Tamil Nadu is Panchayat Union Commissioner-cum-Block Development Officer. The Block Agencies are responsible to Panchayat Union Councils in respect of the implementation of the schemes listed under categories (i) and (ii) above. The Panchayat Union Councils have, however, also to be kept informed about the schemes in category (iii) above. Both Panchayat Union Councils and Block Agencies are, in turn, controlled by the State Rural Development and Local Administration Department through the Divisional Development Officers, District Collectors and the Director of Rural Development at the State headquarters and the Block Agencies are answerable to them for the entire range of their activities. It may, however, be mentioned here that in Tamil Nadu, the Panchayat Union Councils in the entire State were dissolved by the State government in 1977 and Village Panchayats were dissolved in 1979 and these Panchayati Raj Institutions have not yet been revived.

The Divisional Development Officers also hold Monthly Panchayat and Development Staff Meetings of the Block and Panchayat Union Councils' staff including all the Block

Development Officers, all Extension Officers and all Managers and Accountants of Panchayat Union Councils in their area to review the progress of all schemes and to sort out coordination and other problems, if any. These meetings are also attended by the Divisional level officers of other development departments like Agriculture, Animal Husbandry, Highways and Rural Works, Social Welfare etc. These meetings are generally held before the Monthly Plan Review Meetings at the district level. The review of progress relating to the schemes of earlier SFDA programme and now the IRD programme forms a part of the total review of progress in the monthly meetings at the Divisional level.

#### Coordination at the Block Level

As in the rest of the country, at the field level, all the schemes under the earlier SFDA programme and now under the IRD programme in Tamil Nadu continue to be implemented through the Block Agency. Above the Block level, the responsibility for the SFDAs' programme had rested with the SFDAs and that for the present IRD programme rests with the DRDAs. The SFDAs had no field staff of their own and on the same pattern, DRDAs have also not been provided with by any field staff. Thus both the SFDAs and DRDAs were/are expected to function mainly as catalysts and coordinators between the members of the target groups, credit institutions, development departments and the Block Agencies in the field.

At the field level, it is through the Block Agency that the members of the target groups are identified as also the schemes for these target groups are identified, propagated and implemented. Before discussing the arrangements and implications of coordination at the Block level and the linkages of Block Agencies with earlier SFDA's and now DRDA's in Tamil Nadu, it is necessary first to touch on the Block structures in Tamil Nadu.

As a background, Block Agencies were set-up in India for the implementation of the Community Development Programme which was introduced in 1952 and the entire country was covered by this programme by 1963. With the passage of time, three developments took place regarding the structuring of Block staff in the country : (a) besides the Village Level Workers, the Block Development Officers and some of the Extension Officers like those concerned with Panchayats and social welfare were placed on the regular strength of the department controlling the Community Development programme; (b) the number of functionaries at the block level was increased in selected areas by 2-4 Extension Officers (agriculture and cooperation) and 5-10 Village Level Workers mainly in the wake of the introduction of the strategy for intensive agriculture in the 1960s. At times, some Block posts were also abolished in some States. However, the number

of functionaries at the Block Level increased in the country all the same; and (c) some of the posts of Extension Officers like those of industries, cooperation and animal husbandry in many States were taken out of the Block set-up and transferred to respective technical departments. Further, with the recent introduction of T&V system (Training and Visit System) of agricultural extension in some of the States, the posts of Extension Officer (Agriculture) and 70-80 per cent of Village Level Workers have also been taken away from the Block set-up and their services are no longer available to the Block Development Officers.

As a result of the above developments, the Block set up has been weakened in many States. Since the Block Agencies are the primary units of development administration in the entire country, the Government of India have recently reviewed the position in respect of Block staff in the context of introduction of the IRD programme and have made suggestions to the States to revamp the Block set-up on the original pattern and strengthen it further by additional staff. The review and suggestions of the Government of India in this regard are contained in their letter No.M.11012/7/80-IRD-III dated 27th February, 1981, from the Ministry of Rural Reconstruction. This letter is given at Annexure IX.

The original Block structure in Tamil Nadu was, however, not tempered with over the years and it has continued to operate

as a primary unit of development administration. There has also been some increase in the Block staff.

The staff at the Block level in Tamil Nadu consists of three categories: (a) employees of the Rural Development and Local Administration Department which controls the Block Agencies. This staff consists of Block Development Officer, Extension Officers for Panchayats, Industries and Education, Rural Welfare Officers (Village Level Workers) and some office and supporting staff, (b) employees of other development departments seconded to the Block e.g. Extension Officers and staff from Agriculture, Cooperatives, Animal Husbandry, Social Welfare and Highways and Rural Works Departments, and (c) Panchayat Union Council staff in the fields of Public Health, Medical, Village Industries Units for training, Women and Child Welfare, Agricultural Engineering and Elementary Education and some office and supporting staff. The staff under category (c) is meant for the discharge of responsibilities entrusted to the Panchayat Union Councils under democratic decentralization. On an average, the total staff per Block in the categories (a) and (b) above may be around 50 and under category (c) around 250-300 employees. About half the staff under category (c) is for teaching establishment of elementary schools (upto class V). It may, however, be stated here that w.e.f. 1st of June, 1981, elementary education has been taken

out of the purview of the Panchayat Union Councils and it is now being administered directly by the State Director of School Education through his field officers.

The Block Development Officers in Tamil Nadu have adequate formal control on the functionaries under categories (a) and (c) above i.e. on the employees of the Rural Development and Local Administration Department and those of the Panchayat Union Councils. However, the effectiveness of this formal control generally gets reduced to an extent in reality due to the fact that these functionaries have very limited promotion prospects which affects their motivation. In the case of employees of other development departments seconded to the Blocks (category (b) above), the Block Development Officers have only administrative control on them covering drawal and disbursal of their pay and allowances, sanction of casual leave, review of their work and initiation of Annual Confidential Reports on their work and conduct. In actual practice, this administrative control is not very effective because the promotion avenues for these functionaries lie in their respective departments outside the Block set-up and these are mainly influenced by the assessment of their performance, technical ability and conduct by their departmental officers. The technical control on this staff from other development departments rests with the District Officers of their respective



departments. There is thus duality of control in the case of staff seconded to Block Agencies from other departments.

As regards overall coordination at the Block level "The block organisation (in the entire country) is expected to function as a team, both for purposeful coordination of development programmes and for the promotion of an integrated approach to the effective implementation of rural development programme. But experience shows that it has not been easy to achieve such a team spirit under the system of dual control as it exists at the block."<sup>31</sup> This problem relates to Extension Officers from other departments seconded to the Block Agencies. These Extension Officers generally look for guidance and instructions to their respective departments where their prospects lie and their departmental loyalties and links are <sup>/consequently</sup> stronger as compared to their involvement in the Block Agencies where they are actually working. This makes it difficult to a large extent, for the Block Development Officers to effectively coordinate their activities. A study conducted in the States of Orissa, Kerala and Tamil Nadu also concluded that "dual control breeds dissatisfaction not only among the functionaries concerned but also permeates into their job

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31. M. Shiviah, et. al., Block Level Administration : An Analysis of Salient Dimensions, National Institute of Rural Development, (Hyderabad, November 1979), p.46.

functions and contributes to inefficiency."<sup>32</sup> The Block Development Officers all over the country including Tamil Nadu do not possess administrative authority to take disciplinary action against the officials of other departments working in the Block Agencies. As already stated, the administrative control of the Block Development Officers over these Extension Officers/staff is generally limited to supervision and sanction of casual leave.

These problems of overall coordination by the Block Development Officers in respect of the working of Extension Officers/staff from other departments are complex and not easy of solution. Consequently, it has not been possible to devise any suitable and satisfactory alternative. The broad questions involved in this are those of status and pay scales, prospects and channels of promotion, clear-cut demarcation of responsibilities and functions etc. for all the Block functionaries at various levels. The Government of India has already suggested to the State governments (Annexure-IV) in the context of implementation of the IRD programme that it would be desirable to consider up-gradation of the post of Block Development Officers.

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32. B.C. Muthaya, et. al., Development Personnel: A Psycho-Social Study Across three States in India, National Institute of Rural Development, (Hyderabad, 1973), p.50.

Review of progress of all the programmes/schemes being implemented through the Block Agency is made at the Block level in Tamil Nadu in the Fortnightly Meetings by the Block Development Officers. Since the review is conducted scheme-wise, the progress of schemes under the earlier SFDA programme and now under the IRD programme is also specifically discussed. It may, however, be mentioned here that below the Block Development Officers, the specific responsibility for these schemes generally rests with one of the Extension Officers (Agriculture) and all the Rural Welfare Officers (Village Level Workers). After the schemes are formulated, the main functions of these officials with regard to SFDA/IRD programmes related to the wide publicity of these schemes, identification of the members of the target groups, collecting loan application forms from the target group members under various schemes and forwarding these either to SFDA/DRDAs or the concerned financial institutions and bringing to the notice of the Block Development Officers the cases of delays in the sanction of loans and other problems on the basis of information received by them from the concerned members of the target groups. However, the loan applications in many cases are sent directly by the members of the target groups to the concerned financial institutions.

Links Between Development Departments/  
Block Agencies and SFDA/DRDAs

Effective coordination particularly at the district and lower levels of administration also requires a clear line of authority and control besides the responsibility for the implementation of a programme. As already mentioned, both the earlier SFDA and now the DRDA had/have no field staff of their own and were expected to plan and implement their programmes through the concerned development departments/agencies, credit institutions and the Block Agencies. But the Project Officers of SFDA/DRDA were/are neither invested with the formal authority to exercise their coordinating functions at the district level nor did/do they have direct control on the Block Agencies. They were functioning only with the backing of the authority of their District Collectors who had the requisite coordinating authority at the district level and full control on the Block Agencies and were the Chairmen of the SFDA/DRDA Governing Bodies.

Thus, the Project Officers of earlier SFDA and now DRDA in Tamil Nadu were not/have not been integrated effectively into the district hierarchy of supervision and control over the concerned departments/agencies. Consequently, their effectiveness depended and continues to depend mainly

on the amount of interest taken by and support provided to them by the District Collectors. With the introduction of the IRD programme which is much wider in coverage and scope as compared to the earlier SFDA programme, there is, however, a need for the review of these existing arrangements to bring about effective planning, coordination and implementation of the IRD programme both at the district and Block levels. The existing arrangements, the reasons for their continuity and the direction of changes required in them for ensuring effective planning, coordination and implementation of the IRD programme are briefly discussed in the following paragraphs.

For providing the formal functional linkage to SFDA's with the Block Agencies for the implementation of the SFDA programme in Tamil Nadu, the Secretary Agriculture, Government of Tamil Nadu had sent a letter in November 1971 to various Heads of Departments in the State requesting them to issue instructions to their field agencies (particularly to Block Agencies) to help in the implementation of SFDA programme as part of their normal work. The relevant part of the above letter in this regard is reproduced below :

"These schemes have to be implemented by the existing extension machinery (Block Agencies) in the Districts and they are fully responsible for the successful implementation



of these schemes, as no parallel line of field staff or subject matter specialists in Cooperation, Animal Husbandry, Poultry, Agriculture, etc. to attend to the work of extension is envisaged in the scheme. The Small Farmers Development Agency (SFDA)/Marginal Farmers and Agricultural Labourers Development Agencies (MFALAs)<sup>33</sup> will only serve as catalysts activising the existing Government Agencies to come to the help of weaker sections of the community in a big way and the extension staff of the various development departments in this state should attend to the work of the Agency as part of their normal duties. It is now understood that the staff of these departments was not sufficiently involved in the extension work of the Small Farmers Development Agency/Marginal Farmers and Agricultural Labourers and consequently the Agency was handicapped in the implementation of its various programmes or in exercising close supervision over the economic activities of the cultivators coming within its purview.

"The Government are very keen that these Special Schemes should be implemented successfully. To achieve this objective all the Development Agencies of the Government in

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33. SFDAs and MFALAs were merged later in the entire country and the combined Agencies were called SFDAs.



the field should pull simultaneously in the same direction and endeavour to do their best. I would, therefore, request you to instruct all the field officers in these five districts (covered by Special Schemes then) to maintain close liaison with the Project Officer and help the Collectors to make a success of these Pilot Projects. You may kindly send a copy of the instructions issued by you in the matter."<sup>34</sup> The same policy was followed in respect of other districts subsequently covered by the SFDA programme and it continues to be in operation for the present IRD programme through DRDAs.

Thus, the Block Agencies in Tamil Nadu have been made formally responsible for the implementation of the IRD programme at the field level. However, the responsibility for planning, coordination and implementation of the IRD programme in the district rests specifically with the Project Officer DRDA under the overall control and supervision of the District Collector. But the Project Officers DRDAs have neither the formal authority for coordination at the district level nor have they been given direct control over the Block Agencies. There appear to be the following four basic reasons for this situation and the continuation of these arrangements which were also operative for the earlier SFDA programme:

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34. D.O. letter No.120351/IF.III/71-72 dated 11.11.1971 from Secretary (Agriculture), Tamil Nadu Government to Heads of various Development Departments in the State.

- (i) The Block Agencies and the Project Officers of both the earlier SFDA's and now DRDA's are under the control of two different departments. Block Agencies are controlled by Rural Development and Local Administration Department and the Project Officers by the Agriculture Department.
- (ii) The Block Agencies have always been responsible for the implementation of the schemes of other development departments including Agriculture in addition to the schemes of their own department. Since the Block Agencies cannot be placed under the direct charge of more than one department, to get over this problem, these Agencies have been made formally responsible for the programmes of other development departments. Hence, it is felt that there is no need to disturb the existing arrangements.
- (iii) The District Collectors in Tamil Nadu have the responsibility for and full control over both the Block Agencies and the DRDA's. They also have the responsibility for the coordination and review of all development programmes/schemes in the district. Coupled with their traditional authority and prestige in the district set-up, the District Collectors are in a position to sort out the problems of coordination

and ensure effective implementation of all the development programmes/schemes in the district including the IRD programme.

- (iv) In the case of earlier SFDA programme and now IRD programme, there is a State Level Coordination Committee which is headed by the Chief Secretary in Tamil Nadu and the Agriculture Department serves as its secretariat. Any problems of coordination etc. get sorted out in the meetings of this high level Committee.

The above arguments did have their validity for not giving to the Project Officers of SFDA's formal coordinating authority at the district level and direct control on the Block Agencies mainly in view of the limited scope of the SFDA programme. However, with the recent introduction of the IRD programme in the entire country including Tamil Nadu from October 1980, the situation has qualitatively changed to a very significant extent leading to considerable dilution in the validity of the above arguments as discussed below.

Both in terms of objectives and contents, the IRD programme is wider in scope as compared to the earlier SFDA programme. This has been explained in detail in the Section on "Objectives, Functions and Administrative Set Up of SFDA's/DRDA's." The extended scope of the programme itself calls for

the participation and synchronised action on the part of other concerned departments/agencies of the State government besides those of Agriculture and Animal Husbandry Departments, the Block Agencies, financial institutions and input supplying agencies. Thus, the formulation of suitable schemes and their effective implementation under the IRD programme requires coordinated action and concerted efforts on a larger scale and on a wider front as compared to the earlier SFDA programme.

Unlike the earlier SFDA's, the DRDAs have also been entrusted with the responsibility of preparing comprehensive Block Plans. This new function also requires considerable amount of coordination by the DRDAs with the Block Agencies as also other development departments, institutions and agencies at the district level.

The wider scope of the IRD programme also requires, at the field level, greater involvement of the Block staff in this programme as compared to the earlier SFDA programme. In Tamil Nadu, the specific responsibility for attending to the work relating to the IRD programme/schemes generally rests at present with one of the Extension Officers (Agriculture) and all the Rural Welfare Officers (Village Level Workers). The involvement of other Block staff is <sup>limited</sup> to the extent of identification of schemes mostly relating to infrastructure development or to the rendering of advice in respect of

schemes such as purchase of milch animals etc. This amount of involvement of the Block staff is bound to prove inadequate for the totality of the requirements of planning and implementation of the IRD programme as also for preparing comprehensive Block Plans. There is thus a need for effective coordination at the Block level and for the full involvement in the IRD programme of the entire Block staff of the Rural Development and Local Administration Department and of other development departments seconded to the Block Agencies.

The above qualitative changes have increased considerably the need for more effective coordination by the DRDAs on a largerscale and on a wider front both at the district and Block levels and also the need for much greater involvement of the Block Agencies in the IRD programme. For effective discharge of these responsibilities placed on the DRDAs, it appears very necessary to improve the status of the Project Officers DRDAs and to provide them requisite coordination authority in respect of all concerned development departments/agencies at the district level and with direct control over the Block Agencies. There are also the following other reasons in support of this proposition.

In the existing administrative arrangements, the effectiveness of the Project Officer DRDA is largely dependent on his own persuasive ability and the extent of



interest taken by the District Collector in the IRD programme which happens to be one of the many wide ranging and varied responsibilities of the District Collector. In the event of the District Collector being not very enthusiastic about the programme, the Project Officer has no means by which he can effectively discharge his coordination and implementation responsibilities towards the programme both at the district and Block levels.

For control, supervision and review of the entire range of activities of the Block Agencies both in the fields of panchayat and development, the District Collectors in Tamil Nadu are assisted by a senior officer at the district level designated as Personal Assistant to the Collector (Panchayat Development) and by the Divisional Development Officers at the sub-district level who have been given both the responsibility and formal authority to supervise the working of the Block Agencies on their behalf. But these officers have no specific responsibility for the implementation of the IRD programme. The specific responsibility for the IRD programme rests with the Project Officer DRDA. The Project Officer DRDA is thus outside the formal supervisory hierarchy for field agencies in the district administration. Further, the Personal Assistant to the Collector (PD) and the Divisional Development Officers in Tamil Nadu have to



devote considerable amount of their time on their specific responsibilities in the field of Panchayati Raj Institutions. There is thus a tendency to devote less time to the IRD programme unless the District Collector himself evinces particular and continuous interest in the same. Consequently, the extent of interest and commitment evinced by the District Collector in the IRD programme becomes crucial to the functioning of the Project Officer DRDA as well as that of the Personal Assistant to the Collector (PD), the Divisional Development Officers and the Block staff.

In the event of the District Collector taking a deep and continuous interest in the IRD programme, all the development departments/agencies, the Personal Assistant to the Collector (PD), the Divisional Development Officers and the Block Agencies are bound to respond well. But the District Collectors in Tamil Nadu as also in most parts of the country have the responsibility for the overall co-ordination and review of all development programmes in the district in addition to their responsibilities for innumerable and diverse activities such as law and order, land revenue administration, various other statutory and administrative functions etc. In fact, many new responsibilities have been

added to their functions<sup>35</sup> over the years with the result that they are very busy persons and it is difficult for them to find adequate time to look into the details of each and every programme they supervise and control. On the other hand, a programme like IRD programme which covers diverse activities involving the participation of numerous agencies and handicapped clientele groups demands continuous attention and quick action on the part of the coordinating authority. As the District Collectors are very busy persons with wide ranging and diverse responsibilities, it is also not fair to expect them to be able to find the required time and continuously look into the details of the schemes under the IRD programme. This, in turn, reduces the effectiveness of the Project Officers of DRDAs without their having formal authority to coordinate with various development departments/agencies at the district level and without their direct control on the Block Agencies.

In the case of Block Agencies, even within the existing Block set-up in Tamil Nadu where the original Block structure has not been tempered with over the years, there still exist some problems of overall coordination by the Block Development Officers as discussed earlier in this Section. Among other

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35. The functions and responsibilities of District Officer as Collector, District Magistrate, Development Officer, Returning Officer (Elections) etc. etc. are listed in S.R. Maheshwari's Indian Administration, Orient Longmans' 1979 (Revised), pp.465-469.

things, this is so because it has been generally found in India that "as one goes down the ladder of administration, the level, authority and status of the coordinating authority decreases vis-a-vis the functionaries whose work he is expected to coordinate which leads one to state that coordination is better at higher levels than at lower levels at the cutting edge of administration".<sup>36</sup> Secondly, though "cooperation provides the foundation for effective coordination"<sup>37</sup>, yet the understanding of the crucial need for cooperation for coordinated functioning to achieve given objectives goes on reducing as one goes down the administrative levels and hierarchies from the State to the Block and Village levels. In Tamil Nadu as also in the rest of the country at the level of Block Agency, in particular, what appears more relevant and important to the Block Development Officers and their field staff is as to whom are they answerable for their work and actions. It is accountability to authority rather than for the tasks which assumes greater importance at that level. In this situation, inspite of instructions from above, the Block Agencies very often tend to treat any non-traditional work like the SFDA and IRD programmes entrusted to them as "additional work" particularly

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36. T.N. Chaturvedi, Institutional Capability for Regional Development in Asia: Focus on Coordination: Country Paper - India, 1980. (Paper prepared for UNCRD, Nagoya, Japan).

37. Dimock and Dimock, Public Administration, 4th Edition, Holt, Rinehart and Winston Inc., p.403.

when the concerned District level officer such as the Project Officer DRDA has no direct control on them. Consequently, to improve the accountability of the Block Agencies for the IRD programme, it is very necessary to give direct authority and control to the Project Officers DRDAs over the Block Agencies. This along with proposed improvement in the status of the Block Development Officers discussed earlier in this Section, will also improve the coordination by the Block Development Officers at their level.

In view of the totality of above circumstances, that is, the limitations of the existing administrative arrangements vis-a-vis the wide ranging needs of the IRD programme, it indeed appears very essential that the Project Officers of DRDAs in Tamil Nadu are effectively integrated into the supervisory, controlling and coordinating hierarchy of the district administration. They need to be given formal authority to coordinate at the district level and exercise direct control over the Block Agencies. This alone will enable them to discharge effectively their responsibilities of planning, coordination and implementation of the IRD programme which is a very important programme catering to all weaker sections of rural society including small and marginal farmers. In view of their wide ranging responsibilities as also to avoid conflicts of authority vis-a-vis District Heads

of Departments, the status of the posts of Project Officers DRDAs should also be raised to that of Additional Collector (Development). Of course, they should continue to work under the overall guidance, control and supervision of the District Collectors. Though they should be experienced officers yet they should be reasonably junior to the District Collectors so that they fit in smoothly in the district administration. The economic development programmes being presently looked after by the Personal Assistant to the Collector (Panchayat Development) should also be transferred to the Additional Collector (Development) to ensure effective planning, coordination and implementation of all economic development programmes in the district including the IRD programme. The social sector development activities such as health and education and other statutory responsibilities relating to the Panchayati Raj Institutions will, however, continue as at present, with the Personal Assistant to the Collector (PD). The responsibility for overall coordination at the district level will also continue to rest with the District Collector.

It is only through such a streamlining of administrative arrangements that the IRD programme is likely to have a good chance of achieving its wide ranging and important objectives. It is again through such a process and arrangements that integrated planning and development at the district and Block levels is likely to gain strength and become operationally effective.

There is another important but wider aspect of the problem of coordination arising from the existing administrative arrangements at the district and lower levels for the implementation of the development programmes in Tamil Nadu which may also be mentioned here. The functional departments such as Agriculture, Animal Husbandry, Industries etc. which are organized on the basis of functional and specialist skills also have their line staff below the district level and independent of the Block set-up. In many cases, the spread of their line staff is upto the firka level (a group of villages). These departments are already implementing many of their development schemes through their own line staff and without going through the Block Agencies. The functional departments would like to guard their own domain of responsibility and authority rather tenaciously and resist the inroads from outside agencies like DRDAs and the Blocks.

In fact, this 'departmentalism' has gained strength over the years on account of the increasing multitude of development programmes and schemes and this process is still continuing. The latest in this in Tamil Nadu was the introduction of T&V System (Training and Visit System) for agricultural extension under which the entire staff of the Agriculture Department at the Block level has been taken out of the Block set-up and placed directly under the



Agriculture Department. This has happened and is happening in other States also. All these developments, in turn, have been responsible for weakening the integrating and coordinating role of the Block Agencies even in the case of Tamil Nadu where the original Block set-up has not been tempered with over the years. This situation has thus increased the complexity of the coordination problem both at the district and Block levels.

With the rising 'departmentalism', one generally comes across an argument that since most of the schemes under the IRD programme are to be implemented by the functional departments, it would be better if the financial resources etc. are also allocated to the respective departments who should be made responsible to implement these schemes directly instead of doing so on behalf of the DRDAs as is the case at present. Since these departments have already their line staff in position, they could take up the responsibility for their respective IRD schemes with marginal addition of field staff where required. It was mentioned that in some cases the functional departments worked out worthwhile projects especially for infra-structure development under the IRD programme when they were indicated the extent of financial resource allocation and asked to implement these directly. On the other hand, Block Agencies had not been able to suggest suitable projects when asked to do so.

If the above mentioned argument of functional departments is accepted, it will require organizational arrangements for greater integration and coordination at the district level along with detailed programming and delineation of specific tasks to be performed by all development departments/agencies. To ensure integrated development, it will also require setting up of a well staffed planning agency at the district level with a commitment of a minimum level of financial resources and some flexibility. All this would involve looking into the broader issues like role definitions of DRDAs, other development departments/agencies and Block Agencies and the system of horizontal and vertical linkages at various levels. Among other things, even here there will be a need for the position of an Additional Collector (Development) suggested earlier.

Thus, the basic issue that emerges from the above exposition is as to how far the existing organizational situation of rising 'departmentalism' on one side and weakening Block set-up on the other, is conducive to integrated development of rural areas. This is a complex situation which needs to be examined in all respects through separate indepth studies with a view to suggesting well considered changes in the administrative arrangements at the district and Block levels etc. for ensuring effective integrated planning, coordination and implementation of rural development programmes.

SUPPLY OF INSTITUTIONAL CREDITApproach and Policy

The limited resource base of the small and marginal farmers and consequently their restricted scope to raise short, medium and long term credit for productive purposes has been one of the main reasons for their low productivity and poor income levels. Accordingly, in the field of credit supply, the governments' policy has been geared, since the start of planning in India, to increase the availability of institutional credit to the agriculture sector. In recent years, increasing stress has been placed on improving the flow of institutional credit to the weaker sections of society including small and marginal farmers.

It may be mentioned at the outset that there are no separate agencies in Tamil Nadu for catering exclusively to the credit needs of small and marginal farmers or for arranging supply of farm inputs to them. These arrangements for all categories of the farmers are the same. There is also no earmarking of specified quantum of farm inputs such as fertilizers, seeds and pesticides but there is earmarking of specified portion of commercial banking and cooperative credit to the small and marginal farmers and other target groups.

The cooperatives are expected to lend not less than 20 per cent of their total short term credit (i.e. for purchase of agricultural inputs<sup>etc.</sup>) to the small and marginal farmers.

Their medium term credit covering purchase of milch animals, sheep, poultry etc. is meant exclusively for small and marginal farmers and other weaker sections of rural society. Regarding the commercial banking credit, the weaker sections including small and marginal farmers are covered under the Priority Sector Lending Scheme<sup>38</sup> and the Differential Interest Rate Scheme<sup>39</sup> introduced by the government. Under the Priority Sector Lending Scheme, 40 per cent of total commercial bank lending has to go to the Priority Sectors out of which 20 per cent is earmarked for agriculture and allied activities.

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38. The concept of Priority Sector came along with the social control and later the nationalization of the banks in 1969. The priority sector includes agriculture and small industry, road and water transport operations, retail trade and small business, professional and self-employed and education.
39. The Differential Interest Rate Scheme was introduced in 1972 under which banks advance loans on a modest scale at a concessional rate of interest of 4 per cent to small and marginal farmers and other weaker sections for productive purposes for a period of three years. In order to ensure that the rural people take maximum benefit, it has been stipulated that not less than two thirds of the banks advances under the scheme is given by their rural branches. It has also been stipulated that not less than one third of the bank credit under the scheme will be given to the Scheduled Castes and Tribes.

Fifty per cent of the credit intended for agriculture and allied activities is to be given to the weaker sections including small and marginal farmers. Further, one per cent of the total bank credit to agriculture and allied activities should go to the weaker sections under the Differential Interest Rate Scheme.

Under the special programmes such as SFDA, DPAP and IRD, subsidies are also given to small and marginal farmers and other weaker sections.<sup>40</sup>

Until 1969, institutional credit for agriculture was mainly provided by the cooperative set-up. However, after the nationalization of some of the leading commercial banks in 1969, it has also been made obligatory on the part of the commercial banks to finance agriculture and allied sectors more particularly the weaker sections within these sectors. Thus, a multi-agency approach to institutional credit with an obligatory responsibility for providing credit to the weaker sections has been developed in India and the same applies in the case of Tamil Nadu also.

The agricultural credit policy in the Fifth and Sixth Five Year Plans of India is designed to have three fold objectives : (a) to increase the level of institutional credit

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40. The details in respect of SFDA are given in Annexure-I. This pattern also broadly applies to the schemes under DPAP. In Tamil Nadu, SFDA pattern is still being followed under IRD programme.



to agriculture on a continuing basis, (b) to redress regional/State imbalances in the availability of credit and (c) to ensure that the loaning policies and procedures of commercial and cooperative banks are so oriented as to take care of the credit needs of the small and marginal farmers and other weaker sections of society.

Within this broad framework of policy, the Reserve Bank of India (RBI) which is the central banking and monetary authority in the country issues guidelines to the banking institutions so that the rationale, policies and procedures for providing credit (including agricultural loans) are clearly understood and observed by them. The guidelines provide that the efforts of the banking institutions (both commercial and cooperative) should always be to improve the extent and quality of loaning, to help the agricultural borrowers to adopt modern techniques of production and to funnel the surplus generated in the rural sector back into the banking system by way of mobilization of public deposits. Accordingly, the emphasis has been shifted from "credit worthiness of the person" to "credit worthiness of the purpose" and income generation lending to small and marginal farmers including provision of credit for inter-related schemes covering agriculture, irrigation, dairying etc. The emphasis is to finance a mix of activities which would help to increase the income of weaker sections



including small and marginal farmers. These guidelines also cover the rates of interest to be charged, the criteria to be adopted in assessing the viability of schemes, repaying capacity, scales of financing for individual crops and areas and follow up action on utilization of loans etc. With a view to minimize the risk involved to banks in advancing loans to small and marginal farmers, especially for medium and long term projects, the Government of India has set up the Credit Guarantee Corporation of India (Small Loans).<sup>41</sup> It also provides refinance facilities to banks through the Agricultural Refinance and Development Corporation against the medium and long term loans advanced to small and marginal farmers.

The cooperative and commercial banking institutions operating in Tamil Nadu, as elsewhere in the country, function within the overall framework of credit policy enunciated by the Government of India and the guidelines and rules provided by the RBI from time to time.

#### Sources of Institutional Credit in the State

The institutional sources of credit in Tamil Nadu, as elsewhere in the country, are the following :

41. The Credit Guarantee Corporation of India (small loans) Guarantee Scheme, 1971, provides guaranteed cover to small borrowers including small and marginal farmers in respect of all eligible credit facilities extended to them by the banks. In respect of short term loans, either 75% of the amount defaulted or Rs.2,500 whichever is lower, and in case of medium or long term loans 75% of the amount defaulted or Rs.10,000 whichever is lower, is given by the Corporation to the concerned bank.

- (i) Central Cooperative Banks at the district level provide short and medium term credit to individual farmer members through Primary Agricultural Service Cooperative Societies, and the Farmers Service Societies. This is the most important source of credit, part of which is earmarked for small and marginal farmers.
- (ii) Commercial Banks: These provide short, medium and long-term credit to all sectors including agriculture and small and marginal farmers.
- (iii) Regional Rural Banks<sup>42</sup>: These were set up in 1975 as alternative agencies to provide institutional credit to small and marginal farmers, landless labourers and rural artisan in the context of measures initiated by the government to free them from money-lenders.
- (iv) State Land Development Bank in the cooperative set-up provides medium and long term loans to member farmers through its Primary Land Development Banks.

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42. Under the Regional Rural Banks Ordinance, 1975, the Central Government has been empowered to establish in a State or Union Territory with specified operational area, one or more RRBs. But this is done on the request of any bank called the Sponsor Bank. The Sponsor Bank would assist the RRB and its branches by way of subscribing to their share capital, recruiting and training of staff etc. The general superintendence, direction and management of the RRBs is vested in a Board of Directors nominated by the Central and State Governments and the Sponsor Bank.

(v) Reserve Bank of India (RBI) : Its lending to farmers is indirect through the State Cooperative Banks (these, in turn, provide funds to the District Central Co-operative Banks), Scheduled Commercial Banks and through the Agricultural Refinance and Development Corporation (ARDC). RBI being the central banking and monetary authority in the country advises the Central and State governments, State Cooperative Banks and other Commercial Banks in policy and procedural matters including the rates of interest to be charged in respect of agricultural credit. The Agricultural Credit Department of the RBI takes care of these responsibilities.

In addition, the State government also provides taccavi loans<sup>43</sup> directly to the farmers in times of flood and famine etc. It also provides indirect finance by way of contributing to the share capital of the State Cooperative Bank.

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43. These loans are of short and also long term nature and are governed by the Agriculturist Loan Act and Land Improvements Loan Act of the Government of India. The powers to frame rules governing sanction etc. under these Acts are vested with the State government and the availability of funds for these loans depends upon the budgetary provision of the State. The loans are distributed by government departments.

Structure of Cooperative Credit Administration  
in the State

The Department of Cooperation, headed by a Minister, is responsible for the formulation of cooperative policy in the State. He is assisted by the Commissioner and Secretary and other complement of staff at the secretariat level. The Registrar of Cooperative Societies who is at the apex of the executive level of the cooperative organization (Chart-I) is primarily responsible for aiding in the formulation and implementation of cooperative policy, deciding upon major financial matters and overall supervision of the cooperative structure under his charge. He is mainly concerned with agricultural credit, marketing and processing of agricultural produce, distribution of agricultural inputs and consumer goods through the cooperatives.<sup>44</sup>

The Registrar of Cooperative Societies is assisted in the discharge of his duties by two Additional Registrars, five Joint Registrars, one Chief Accounts Officer and a Superintending Engineer of the Public Works Department. Below the headquarters (Chart-II), the administrative work is carried out at the regional, circle and Block levels. Besides, there are Project Officers who are responsible for implementing the

44. Some of the cooperatives such as the Milk Supply Cooperatives, Fisheries Cooperatives, Weaver's Cooperatives, etc. which were under the control of the Registrar of Cooperative Societies until 1957, were transferred either to the control of the respective departments of the State governments or to the Statutory Boards. The Heads of these Departments or Boards were given the powers of the Registrar of Cooperative Societies. At the State government level, the various types of societies are handled by the respective departments.

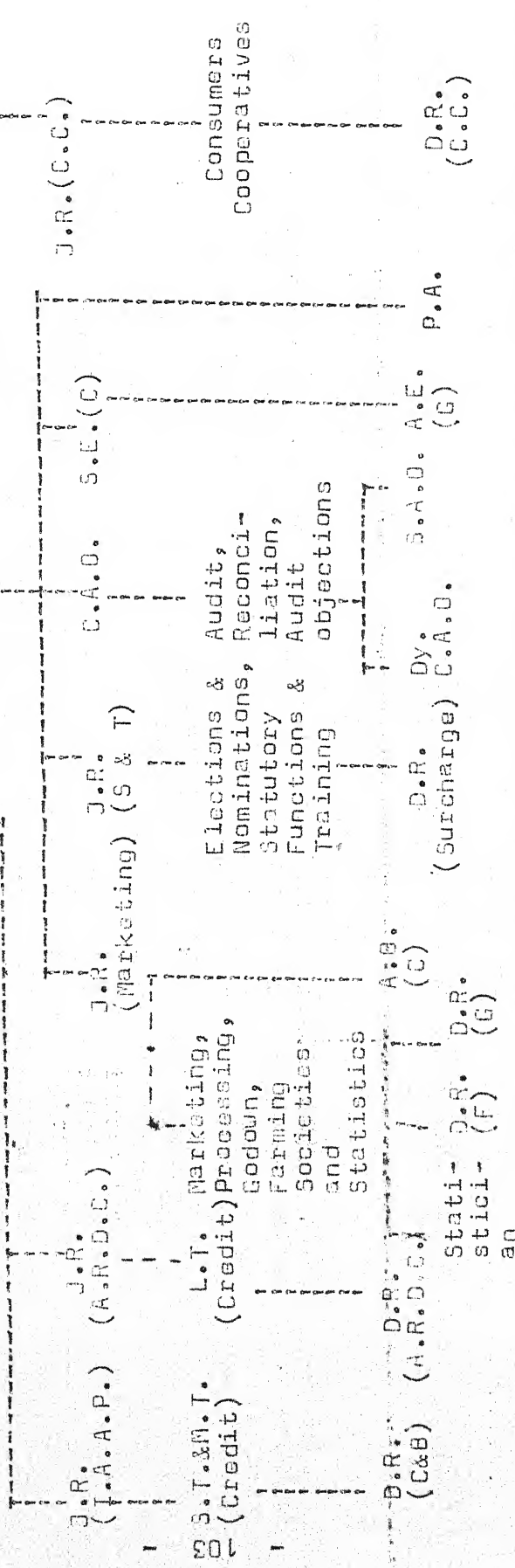
# THE SET UP OF THE COOPERATIVE DEVELOPMENT

## A. HEAD QUARTERS OFFICE

### REGISTRAR

#### ADDITIONAL REGISTRAR (CREDIT)

#### ADDITIONAL REGISTRAR (Consumer Activities)



### Note:

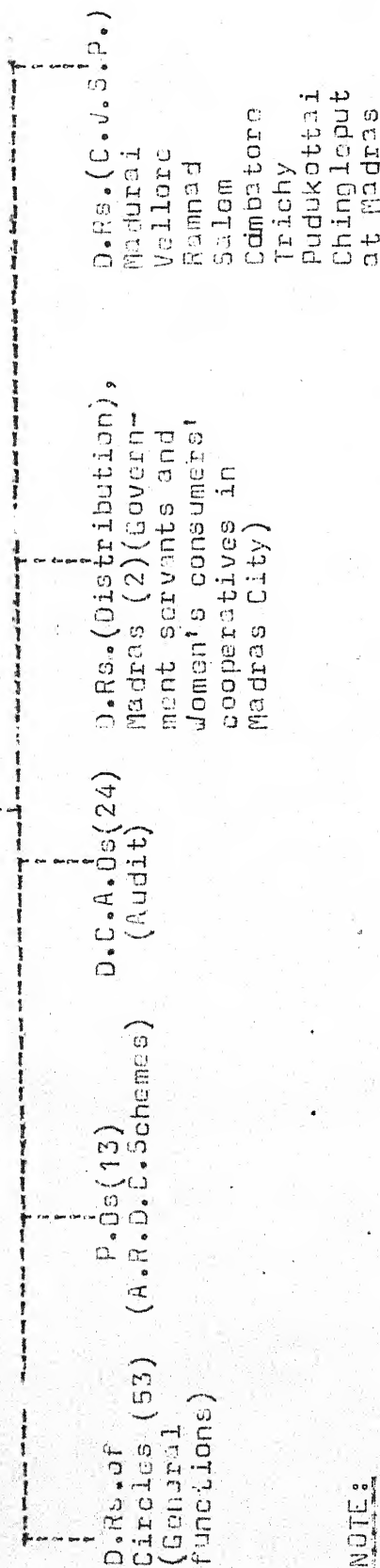
J.R. : Joint Registrar  
 D.R. : Deputy Registrar  
 I.A.A.P. : Intensive Agricultural Area Programme  
 A.A.D.C. : Agricultural Refinance and Development Corporation  
 D.R.(G) : Deputy Registrar(Godown)

C.C. : Consumers' Cooperation  
 S&T : Statutory and Training  
 C.A.O. : Chief Audit Officer  
 Dy.CAO : Deputy Chief Audit Officer  
 A.O.(C) : Accounts Officer (Construction)  
 C & B : Credit and Banking  
 D.R.(F) : Deputy Registrar(Finance)  
 S.A.O. : Senior Accounts Officer  
 S.E. : Superintending Engineer (Construction)  
 A.E.(G) : Asst.Engineer (Godown)  
 P.A. : Personal Assistant to Registrar

B. FIELD (NUMBER OF DISTRICTS - 16)

REGISTRAR

JOINT REGISTRARS OF REGIONS (13)



NOTE:

- D.Rs. : Deputy Registrars
- D.C.A.Os. : District Cooperative Audit Officers
- P.Os. : Project Officers (Agricultural Refinance and Development Corporation)
- (A.R.D.C. Schemes)
- D.R. (C.V.S.P.): Deputy Registrar (Consumer Village Shops programme)



Agricultural Refinance and Development Corporation (ARDC) assisted schemes and International Development Association schemes through the Land Development Banks. There are, at present, 13 regions and 53 cooperative circles, and 376 Blocks in the State.

At the regional level, Joint Registrars are responsible for guiding and controlling the cooperatives. They have been conferred all the powers of the Registrar under the Cooperative Societies Act and Rules. The work in the circle is looked after by a Deputy Registrar. The Deputy Registrar assisted by a few Cooperative Sub-Registrars and Senior Inspectors etc. supervises and controls all cooperatives including Land Development Banks within his circle and discharges all statutory functions such as enquiry, arbitration, execution, liquidation etc.

At the Block level, the cooperative Sub-Registrar(s) who is the Extension Officer (cooperation) works under the administrative control of the Block Development Officer and the technical control of the circle Deputy Registrar. He mainly attends to arbitration and enquiry besides supervision and inspection of the cooperatives.

### Cooperative Credit Set up In the State

The apex cooperative institutions at the State level are federations of the next lower level institutions. Thus, State Cooperative Bank is a federation of Central Cooperative Banks at the district level. The Central Cooperative Banks, in turn, are federations of Primary Agricultural Service Cooperative Societies in their districts. Similarly, State Land Development Bank is a federation of Primary Land Development Banks.

In Tamil Nadu, there are, at present, about 4,800 Primary Agricultural Service Cooperative Societies, 16 District Central Cooperative Banks (DCCBs) and 223 Primary Land Development Banks covering about 4.09 million or 77 per cent of all farming families (operational holdings) and 3.10 million or 74 per cent of the families of small and marginal farmers.<sup>45</sup> This compares well with the All-India coverage of 34 per cent of the rural population. The State intends to cover cent percent farming families by the end of the Sixth Five Year Plan.

The working funds of the Primary Societies consist of (a) owned funds made up of share capital, membership fee and reserve funds, (b) deposits made by members and non-members<sup>46</sup>

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45. At the end of 1980, there were about 5.31 million agricultural families (operational holdings) in Tamil Nadu out of which 4.21 million were small and marginal farmers.

46. The deposit mobilization from the public is not very encouraging due to their lower rates of interest as compared to the prevailing market rates and also due to the unsatisfactory functioning of the Societies.

and (c) loans from District Central Cooperative Bank.<sup>47</sup> The funds of the District Cooperative Banks consist of share capital and membership fees from Primary Societies, reserve funds of their own and of the Primary Societies, deposits of surplus funds by local bodies, schools, colleges etc., contributions from the State government, Agricultural Credit Stabilization Fund and loans from the Apex State Cooperative Bank. The funds of the State Cooperative Bank consist of contributions from the RBI and State government, contribution of share capital and membership fees by the DCCBs and loans from other State apex institutions. The Tamil Nadu State Land Development Bank obtains its funds from share capital contributed by the State government, RBI, its own reserves, floating of ordinary and special debentures,<sup>48</sup> and deposits from the public. It is evident that the funds provided by the State government and the Central government through the central financing institutions, such as the Reserve Bank of India, Agricultural Refinance and Development Corporation etc. constitute the main stay of the cooperative sector.

Besides contributing to the loanable funds of the co-operative institutions, the Tamil Nadu government recently

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47. The DCCBs borrow from the Tamil Nadu State Cooperative Bank which, in turn, gets most of its funds from the Reserve Bank of India (RBI) and the State government.

48. The ordinary debentures which account for bulk of its funds are subscribed by individuals and institutional investors. The Special Debentures are subscribed by the Agricultural Refinance and Development Corporation, Government of Tamil Nadu and Government of India.

came to their rescue when large amount of loans fell over-due on account of the organized resistance of the farmers towards repayment. The State government, on the basis of the recommendations of a committee which has been set up to look into the cooperative overdues, has announced waiving of penal rate of interest, converting the short term loans into medium term loans and reducing the rate of interest on medium term loans to the farmers in general and to small and marginal farmers in particular. The amount (relief on interest etc. amounting to Rs.496.4 million) required to affect these measures is contributed by the State government. It has also sanctioned ways and means advances to the DCCBs to the extent of Rs.150 million.

#### Short Term Cooperative Loans - Procedures

The extent of short term loans for cultivation purposes, known as crop loans, is determined in Tamil Nadu keeping in view the seasonality of the crops in the area and the scale of finance required for individual crops. The seasonality and scale of finance are decided for each district by a district level Technical Committee consisting of the Special Officer of the District Central Cooperative Bank (DCCB), Deputy/Assistant Directors of Agriculture, Deputy Registrars of Cooperative Societies, Representative of the Apex Cooperative Bank, representatives of Commercial Banks (Lead Bank), a few

representative of Primary Societies and a few experienced ryots and small farmers as members. The meeting of the Committee is convened by the Special Officer of the DCCB once a year in December or January to fix the seasonality of the crops and the per acre scale of finance.<sup>49</sup> required for each crop for each season in the ensuing agricultural year. The decisions arrived at the meeting are submitted to the Registrar of Cooperative Societies, Tamil Nadu, for approval.

Based on the approved seasonality chart and the scales of finance, the Secretary of each of the Primary Societies prepares a credit limit statement for each member and submits the same to the Managing Committee of the Society for its recommendations and forwarding to the District Central Co-operative Bank. At the DCCB level, the details are verified by the Cooperative Supervisors and the verified statement and the consolidated loan application of the Primary Society are placed before the Loan Committee of the bank. Upon receipt of the approval from the DCCB, the Primary Society scrutinizes the eligibility of individual farmers for crop loan for the period, prepares a drawal application and forwards the same

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49. The Reserve Bank of India issues guidelines regarding the procedure to be followed to fix the scale of finance and the scheduling of the loan repayments etc. They are taken into account while fixing the actual scale of finance.

The Deputy Director of Agriculture in the district also consults his field staff for suggestions in respect of different inputs such as types of fertilizers etc. to be used per acre for various crops before giving his recommendations to the Technical Committee.

to the Branch Manager of the DCCB for sanction. On the basis of this sanction, the Primary Society draws funds for disbursement to the individual members. The whole crop loan system is represented in the following diagram :



# Crop Loan System in Tamil Nadu

District Level Cooperative Bank

Village Level Agricultural Service Society

Scale of finance fixed by the Technical Committee

Verified Statement and Loan application of the Agricultural Service Society approved by the Loan Committee of the Bank (DCCB)

Particulars given in the Credit Limit Statement verified by the Cooperative supervisory staff

Preparation of Credit Limit Statement by the Secretary of the Agricultural Service Society

Managing Committee of the Agricultural Service Society approves and recommends the statement to the District Central Cooperative Bank (DCCB)

Members establish eligibility for loan

Preparation of Drawal application by the Agricultural Service Society

Sanction by the Branch Manager of the Bank (DCCB)

Drawal of funds by the Society and disbursement to its members.

The short term crop loan consists of three parts.

Part 'A' of the loan is the cash portion required to meet the labour expenses and is decided upon by the District Technical Committee keeping in view the RBI guidelines. The guidelines state that this component should reflect the probable outlay of the cultivators in the area during the period it takes to grow the crop under traditional methods of cultivation. In the case of small and marginal farmers who do not hire any labour, it is meant to take care of their family consumption expenses during the crop season. Generally, this is found to constitute one third of the average value of production per acre associated with that level of cultivation. But it differs from crop to crop and is, therefore, fixed for individual crops. In case of those crops, where there is no traditional method of cultivation, no kind portion is given and the scales are fixed for inputs only.

The second part of the loan known as the 'B' component (kind portion) is meant for purchase of modern inputs such as fertilizer, pesticides, improved varieties of seed etc. The last one is not generally insisted upon as most of the farmers have their own seed. This kind portion covers about 50 per cent of the crop loan.

The third component of the loan i.e. the 'C' component is an additional cash component and is meant to meet the incidental charges required to transport and utilize the inputs. This is allowed only when the inputs are lifted from the cooperative.

In Tamil Nadu, the cooperatives themselves supply these inputs in kind. In the event of non-availability of these inputs at the cooperative, the RBI guidelines allow the cooperative to let the farmers buy from any approved agency against the kind component of loan. However, this is not followed in Tamil Nadu because the supply position of many of the varieties of fertilizers is adequate and the cooperative outlets are, generally, able to supply them. The difficulty sometimes arises due to shortage of some brands which are in good demand. In the event of non-availability of the brand of fertilizer required by the farmers, the cooperative staff who are in charge of distribution recommend an alternative brand which would suit their soil type etc. It has been stated that the cooperative staff who are in charge of handling fertilizers are quite competent as they are trained by the fertilizer producing agencies etc. about the composition of different brands and are generally knowledgeable about the area and crops.

Improvements in the procedure of advancing crop loans have been effected by way of issuing pass books to the members and disbursing the cash portion of the loan by crediting to the

savings bank account of the member. The kind portion of loan is adjusted when the farmer lifts the inputs from the cooperative. The procedure adopted for sanctioning of crop loans, the scales of finance etc. are the same for the large, small and marginal farmers. However, the rate of interest charged for the latter two categories is 10.5 per cent only as against the 12 per cent charged for large farmers. This is stated to provide some relief to the small and marginal farmers.

There is also the stipulation by RBI that the State Cooperative Bank will ensure that not less than 20 per cent of the District Central Cooperative Banks' short term agricultural advances which constitute about 70 to 80 per cent of their total lending to the Primary Agricultural Service Societies during the year are issued for financing small and marginal farmers.<sup>50</sup> The whole of their medium term loans are again earmarked for small and marginal farmers and other weaker sections. In Tamil Nadu, the quantum of cooperative credit i.e. short and medium term, advanced by District Central Banks to the small and marginal farmers in 1979-80 was stated to be around Rs.208.7 million accounting for 49 per cent of their total loans. This compares well with the all India's 40 per cent lending to them. In addition, small and marginal farmers

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50. This is one of the terms and conditions made by RBI to sanction short term Credit Limits to the District Central Cooperative Banks.

are also given subsidy of 25 and  $33\frac{1}{3}$  per cent of the outlay on potassic and phosphatic fertilizers, respectively under the IRD programme.

The Farmer's Service Societies which have been established in 1976 consequent upon the recommendations of the National Commission on Agriculture, are expected to be multi-purpose societies functioning at the field level to look after the various needs for credit, marketing, processing, storage etc. of the farmers and more particularly of the small and marginal farmers. They are visualized as instruments of rural development. There are about 46 such Societies in Tamil Nadu. They have been set up by converting such of the existing Primary Agricultural Service Cooperative Societies which had the potential to reach a loan transaction of rupees one million in the next five years and had also declared dividend of not less than 5 per cent in the previous year. It has been stated that these Societies are not particularly active in taking up the multitude of services required by the farmers and are functioning on almost the same lines as the Primary Agricultural Service Societies even though they have been sanctioned some additional staff for extension purposes.<sup>51</sup>

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51. The Farmers' Service Societies are given a full time Secretary and other complement of staff. But they are expected to meet the staff expenditure from their own resources after the initial three year period.



Crop loans to the farmers including small and marginal farmers are also provided by the commercial banks, if these farmers do not happen to be the members of cooperatives. The loaning by the commercial banks is done on the same scale of financing as recommended by the District Technical Committee.

#### Medium and Long Term Loans - Procedure

Medium term loans to farmers covering purchase of milch animals, sheep, poultry etc. are provided by the Primary Land Development Banks (PLDBs), District Cooperative Central Banks and commercial banks. Long term credit is provided by the PLDBs and commercial banks only. Before 1979, PLDBs in Tamil Nadu were constrained by statutory provisions to advance loans for diversified purposes such as cattle, sheep and poultry development schemes. With a view to enable the PLDBs to lend for diversified purposes, in a substantial way, the State government had amended in 1979, the Tamil Nadu Land Development Bank Act. Secondly, provision had also been made in the Act for issue of term loans on the basis of government guarantee without the credit institutions insisting on mortgage security. The State government have so far issued government guarantees to the extent of Rs.50 million so that the PLDBs are enabled to advance loans to small farmers and other weaker sections of society. In order to allow the weaker farmers to obtain



institutional credit and improve the productivity of land, the State government have also permitted the hypothecation of lands assigned<sup>52</sup> to them to the PLDBs for advancing loans.

The medium and long term loans vary from a three year to ten year period depending upon the time necessary for making particular schemes viable. For instance, for PLDBs loans the repayment period for milch cattle loans is four years whereas for sinking of dug wells and for pumpsets it is nine years. The cooperative banks and the commercial banks have been mostly lending to those small and marginal farmers and other weaker sections who have been identified by the SFDAs/DRDAs as eligible beneficiaries under their schemes. The repayment period is larger for them than it is usually for the large farmers. This is more true of loans towards minor irrigation and land development. These Agencies also help small and marginal farmers to enter into the cooperative fold by providing them special financial assistance by way of loans to purchase shares. They also provide grants to District Central Cooperative Banks and PLDBs for building up special risk funds to bear the

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52. Under the Land Ceiling Act, some land has been declared surplus and this has been assigned by the State government to the landless labourers. The vesting of land rights in them and recording the same is a time consuming process and unless the land is recorded in the name of the borrower, he can not obtain a loan. Therefore, the State government have relaxed the condition for the mortgage of land.

risk involved in advancing credit to small and marginal farmers. Above all, the subsidy given by these agencies towards the cost of acquiring assets such as milch cattle, poultry, pumpsets, individual and community irrigation wells etc. at the rate of 25 and  $33\frac{1}{3}$  per cent to small farmers; and marginal farmers and agricultural labourers, respectively plays a significant role in making the schemes attractive to the target groups (Annexure I).

The loan procedure followed by the Primary Land Development Banks is that any member applying for loan has to do so in the prescribed form<sup>53</sup> along with all documents of title and revenue records such as patta, chitta, extracts, field maps etc., relating to the land offered as security. If the loan is for the purchase of machinery, a quotation for the machinery of his choice from an approved dealer is also to be furnished along with the loan application. The chief executive of the PLDB after satisfying himself that the application is in order, sends the same to the Supervisor for processing. The Supervisor, in turn, obtains encumbrance certificate for 13 years for the lands offered as security from the office of the Sub-Registrar of Assurances. After perusing

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53. The form contains columns to furnish information with regard to the quantum and purpose of loan, lands owned by the applicant, land offered as security and proposed to be developed with the loan amount, geneological particulars about the family etc.

the encumbrance certificate, he collects further documents and prepares the report on applicants' title etc.

An appraisal team consisting of the PLDB's Supervisor, Valuation Officer i.e. Cooperative Sub-Registrar and a Technical Supervisor inspects the lands offered as security and proposed to be developed, for determining the financial viability and technical feasibility of the Project. They do it on the basis of the existing cropping pattern and the probable cropping pattern after the proposed development. The pre-development income and post-development income are calculated with reference to the norms prescribed by the Agricultural Economist of the State Land Development Bank. The value of land and the repaying capacity are calculated according to the condition of the soil, irrigation facilities, existing and future cropping pattern etc. All the particulars have to be recorded by the team in their appraisal report, the proforma of which has been prescribed by the State Land Development Bank. In case of wells for irrigation purposes, the suitability of the site proposed, the depth of the well and distance between the site of the proposed well and the neighbouring wells has to conform to the spacing recommended by the State Ground Water Directorate. Pending completion of the detailed hydrogeological survey, the Directorate is conducting quick studies to decide upon the approximate number of wells in each area and the spacing to be

observed. Its permission is also required for deepening of the existing wells. The PLDBs are asked to refuse application if the norms for distance are not complied with. The Technical Supervisor estimates the cost of the development measure proposed, keeping in view the guidelines issued by the State Land Development Bank's Technical Cell. The project cost thus arrived at by him minus the down payment<sup>54</sup> (exclusive of share capital) represents the loan amount. If the value of security offered equals to or is more than this amount and if it is within his repaying capacity as assessed by the bank, the applicant becomes eligible for loan. Before disbursement of loan, the applicant has to give a sworn affidavit to the effect that he has not alienated the Lands offered as security after applying for the loan and that the said lands are free from any attachment.

In order to ensure proper utilization of the loan, 30 per cent of the loan is released in the first instalment. On production of a proper utilization certificate by the Cooperative Sub-Registrar, the subsequent two instalments at the rate of

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54. This is for admission fee, evaluation fee and fee to executive mortgage bond in favour of the PLDB etc. besides a certain portion of the loan which a loanee has to contribute in order to show his stake in the project. The scales of down payment are fixed by the PLDB and they differ with the type of project.

40 per cent and 30 per cent of loan are released. If the loan amount is for purchase of pumpsets, diesel engines etc., it is paid in lumpsum to the approved dealer direct against the invoice and delivery note. In case of pumpsets, it is not paid unless these are installed and the same is verified by the Cooperative Sub-Registrar. It is also stipulated that the machinery shall bear ISI markings to ensure their quality. If the dealers default in the supply of machinery etc. they are black-listed by the bank. In order to avoid diversion of the credit amount, the banks have been instructed not to release the loan instalments if the possibility of its utilization does not exist during that particular period. That is, the banks have to observe seasonality in lending and the closed periods for various purposes, usually for sinking or deepening of wells etc. in various districts are given by the SLDBs. During these periods, applications may, however, be processed. There is also a time limit fixed within which the loanees have to utilise the loan.

In respect of schemes such as milch animals, poultry etc. for which the PLDBs as well as the District Central Cooperative Banks and commercial banks advance loans to small and marginal farmers and other weaker sections under the IRD programme, the loanee has first to be identified by the Block Agency and DRDA as eligible to apply for the loan under the



scheme and avail the subsidy portion. This identification is necessary to apply for the irrigation wells or pumpsets also if he has to get the subsidy part which may be considered as the margin money or the down payment portion of the loan. After applying for loan and after assessment by the credit institutions regarding the worthwhileness of the scheme and his repaying ability, there will be a Purchase Committee in respect of purchase of such assets which do not have any ISI markings etc. For example, all the milch/plough animals, sheep, goats, piggery, poultry, fisheries schemes come under this category. The Purchase Committee consisting of the Veterinary Officer, representative of the lending institution and a Rural Welfare Officer of the Block Agency under whose jurisdiction the loanee comes, go to the nearby cattle fair etc. along with the loanees on a prescribed day. On the recommendation of the Veterinary Officer, the credit institution's representative pays the amount and the asset is handed over to the loanee.

The procedure followed by all the institutions viz., the District Central Cooperative Banks, the Primary Land Development Banks and commercial banks is the same for security and sanctioning of medium term and long term loans. However, the commercial banks, insist on 'no due certificate' from the cooperatives and other banking institutions whereas the cooperatives do not ask for it. In some instances, it has



been pointed out that the cooperatives show reluctance to issue 'no due certificates' to farmers. This had led to a situation where some of the farmers have taken simultaneous advantage of the cooperative and commercial banking credit for the same purpose. The banks as well as the cooperatives ask either for a personal guarantee or a third party guarantee from a person in the same profession and with similar social standing. In case of term loans covered by the Credit Guarantee Corporation (Small Loans) Scheme, the third party guarantee is not required. But in Tamil Nadu, it has been stated that banks generally insist on this type of guarantee. In case of loans which do not fall under the Government Guarantee Scheme, the credit institutions take mortgage deed of the farmer's land.

With a view to avoid diversion of loans for unproductive purposes, the credit institutions try, as far as possible, to pay the credit amount under the medium and long term loan system direct to the agencies from whom the farmer purchases his assets as stated earlier. However, in respect of those items which may have to be purchased from more than one dealer and the amount involved is small, for instance, cement, bricks, pipes for construction of well, the cash is disbursed to the farmer after verifying the vouchers and ensuring that the material is used for the stated purpose. The first inspection report after verification is made by the concerned bank

manager and later other lower level officials keep track of the working condition of the asset. However, in Tamil Nadu, as elsewhere in the country, the follow up action on the utilization of credit is the weakest part. The limited staff when compared to the number of borrowers and the area they are spread over does not permit close supervision.

The RBI guidelines also indicate maximum rates of interest that can be charged by commercial banks and cooperatives on their medium term lending to small and marginal farmers. Small and marginal farmers getting an individual loan not exceeding Rs.2,500 each will be charged interest not exceeding 11 per cent per annum. The banks get refinance facility at nine per cent from the RBI under its "Small Farmers Window" Scheme.<sup>55</sup> The rates of interest charged by the credit institutions for term loans vary with the nature and cost of the project, its gestation period, the farmers' ability to repay the loan etc. Guidelines are also issued by the RBI in this respect.

The decision regarding the amount of loan to be sanctioned for a particular scheme is based upon the cost norms fixed by the RBI in consultation with the banks and State governments and the nature and size of the project and the repaying capacity of the farmer. However, the cost norms need

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55. However, the extent of such finance shall not exceed 50 per cent of loans advanced to small and marginal farmers. This facility is besides the other refinance facilities the banks and cooperatives get from RBI and the ARDC.

to be fixed taking into account the local variations and the benefit flow from the scheme. The extent of realism that goes into these aspects gives a true picture of the income generating capacity of the project. This exercise is required to be done by the SFDAs/DRDAs as well as the credit institutions. This is, however, stated to be a weak link in the identification of viable schemes and their financing by cooperative and commercial banking institutions.

It is one of the reasons why the banks' representatives agree to finance a particular scheme under IRD programme in principle at the District Level Consultative Committee meetings and later turn down the individual proposals for credit submitted by DRDAs or by the field level staff.

In Tamil Nadu, DRDAs are engaged in this exercise which is still in the initial stages. In the absence of such data, the banks are generally cautious about the quantum of loan to be sanctioned to small and marginal farmers. Very often, they look for security oriented lending which would enable them to have a high rate of recovery. It has been stated that even when the banks formally do not insist on the mortgage of land by small and marginal farmers, they try to elicit informally whether the farmer or any member of his family is in actual possession of land and whether he has any other loan obligations outside the institutional set up. They also try to

look into the total asset holding position of the family to ensure that he is not indebted beyond his repaying capacity.

Government is also trying to reduce the risk of banking institutions for lending for diversified purposes to small and marginal farmers by introducing Crop Insurance Scheme and Cattle Insurance Scheme and making obligatory on the part of small borrowers to become members of these schemes. The Crop Insurance Scheme is being implemented in Tamil Nadu by the Primary Agricultural Service Cooperative Societies on a pilot basis for paddy and the maximum insurable amount is Rs.2,000 per farmer.

Cooperative Credit Supply in the State -  
Some Recent Developments

Tamil Nadu along with Maharashtra and Gujarat States enjoyed good reputation for prompt repayment of cooperative loans by the rural sector till 1977-78. The overdue position in Tamil Nadu has, however, been aggravated with the recent organized movement of farmers resisting payment of cooperative overdues. The short term loans overdue has increased from 24.4 per cent in 1977-78 at Central Cooperative Bank level to 70.5 per cent in 1979-80 and it has further increased during 1980-81. The overdue position of long and medium term loans also increased from 67 per cent to 88.7 per cent during the same period. There is a concerted drive by the State

government to recover loans from farmers by offering concessions by way of waiving penal rates of interest, reducing rates of interest, rescheduling of loans and converting short to medium and medium to long term loans etc. The extent of concessions provided to small and marginal farmers is greater than others. As on July 1981, it has been stated that the recovery position has improved to a considerable extent in some of the districts.

The recovery norms of the RBI have also been relaxed in favour of small farmers if a rehabilitation programme is formulated with the approval of the ARDC/RBI by the State government and cooperative banks. With the active involvement of the DRDAs such a programme has been prepared by the State government and the approval of the RBI is awaited.

It may also be mentioned here that the recovery rate of commercial bank loans in the State has also been affected and it is stated to be around 50 per cent. The banks do not enjoy the same statutory rights as the cooperatives in recovering their credit overdues. They have, therefore, been asking the State government to put their claims on par with those of cooperatives and also instruct the revenue officials to help them to recover their loans.

Out of 223 Primary Land Development Banks (PLDBs) in Tamil Nadu 165 are, at present, not eligible for any lending

programme due to the heavy overdues of their members. Whenever a bank's overdues exceed 50 per cent of its total credit advances, it becomes ineligible for further lending. Recently, the RBI decided to treat the defaulting small borrowers of small amounts as non-defaulters, if the lending bank is satisfied that the defaulting is not wilful. The Tamil Nadu government, taking advantage of the RBI's decision and after having a close scrutiny into the overdue position of the PLDBs had allowed last year 16 banks to acquire restricted lending eligibility. In 1980-81, the State government had also increased its contribution towards the share capital of PLDBs and enabled nine of them to acquire a higher lending eligibility.

#### Credit Planning and Coordination

With a view to bring about a coordinated allocation of institutional credit between the various sectors, schemes and areas, the Government of India introduced the concept of District Credit Plan and the Lead Bank Scheme.<sup>56</sup> Under the

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56. The Lead Bank Scheme introduced in 1969 has passed through three distinct phases. The first phase provided the basis for expansion of commercial bank branches and helped development of banking in rural areas. The year 1975 was the beginning of the second phase of the scheme when the Study Groups on the functioning of the Lead Bank Scheme in Gujarat and Maharashtra recommended the preparation of District Credit Plans for the integrated development of each district. In the absence of guidelines in respect of methodology to be followed, the plans prepared by the banks varied widely in their approach, content, assumptions, formulation and presentation. To rectify these deficiencies, the RBI asked the Lead Banks to terminate the earlier Credit Plans in December 1979, and advised them through fresh guidelines to formulate plans for a uniform period of three years viz. 1980-82.



Lead Bank Scheme, the specified banks are expected to act as consortium leaders to bring about a coordinated development of commercial and cooperative banking in their districts. In each district, one bank is accredited as the Lead Bank of the area and it is expected to coordinate the activities of all financial institutions coming under its jurisdiction. It is also made responsible for the preparation of a three year District Credit Plan (DCP) and an Annual Action Plan (AAP) for the area, keeping in view the plan objectives and development strategies and in consultation with and full involvement of all concerned agencies at the field level. The involvement of the concerned agencies is brought about through the institutional mechanism of the District Level Consultative Committee(DLCC)<sup>57</sup> comprising of the Lead Bank Officer in charge of coordination work, representatives of other commercial banks in the area, representatives of the DCCB, the PLDBs and Cooperative Department, the Lead District Officer of the RBI and the Project Officer of the SFDA/DRDA. Thus, the Lead Bank Scheme has added a new dimension of partnership between credit and development agencies.

The RBI guidelines on the preparation of DCPs and AAPs specifically mention the methodology to be followed in computing

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57. The Section on "Coordination at District and Lower Levels" gives the formal structure and functions of the District Level Consultative Committee.

the amount of crop loan requirements and the scale of finance for particular activities. They also mention that the term loan requirements should be based on cost norms and technical criteria worked out by the ARDC for different investment schemes. The banks are expected to explain in the Annual Action Plan the method adopted by them in arriving at the credit requirements under each scheme. The most important feature of the District Credit Plan is that it should be a truly operational plan indicating the infrastructure support required for implementation and also pinpointing the responsibility of each of the agencies involved, whether it is a cooperative institution, State Department of Agriculture or Animal Husbandry, a bank or an input supplying agency. The guidelines emphasize close cooperation between cooperatives and banks on the one hand, and the financial and other input supplying agencies and development departments of the State, on the other.

In order to bring about such coordination besides the preparation of detailed plans on sector, scheme, district and Blockwise basis, it is necessary to have an institutional device to coordinate, monitor and review the implementation of the plans at the State and district levels. At the State level, the State Level Bankers Committee (SLBC) reviews the progress made by the credit institutions with respect to opening of new branches, priority sector lending, loans under IRD programmes, Twenty Point Programme, Differential Interest Rate Scheme etc.

Sub-committees are also set up by the SLBC to examine in detail and report to the main Committee on some of the above mentioned schemes. The SLBC is convened twice a year by one of the Lead Banks.<sup>58</sup> It consists of the representatives from all the banks operating in the State, RBI, ARDC, IDBI (Industrial Development Bank of India), Tamil Nadu State Cooperative Bank, Tamil Nadu State Land Development Bank and a representative from the State Department of Finance. The SLBC has the following three Sub-committees : (i) Sub-committee on Priority Advances (ii) Sub-committee on Handloom Advances and (iii) the Sub-committee on Artisans.

The SLBC of Tamil Nadu meets regularly under the Chairmanship of a senior officer from one of the Lead Banks. It is gathered from the minutes of the meetings of SLBC that most of the issues discussed pertain to inter-organizational coordination in planning and implementation of the District Credit Plans and the Annual Action Plans and the information flow required for monitoring and review. Some of the important issues discussed relate to the timely preparation of the Annual Action Plans, timely allocation of credit shares by the Lead bank to various other banks including cooperative banks and the

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58. The Indian Overseas Bank, Indian Bank and the Canara Bank are the Lead Banks in the State of Tamil Nadu.

installation of a proper recording and information system by the individual banks, especially at their branch level.

An oft repeated point by the banks relates to the non-availability of district departmental annual plans and the extent of scheme-wise outlays. The Credit Plan 1980-82 of one of the districts mentions that even though the need for collaboration between development agencies and credit institutions has been emphasized at every forum to enable the dovetailing of District Credit Plans with the district development plans, it was not possible because the target fixation for each department in the district and the type of schemes the departments are contemplating to launch are not formulated. Need for active cooperation of the Block and district level staff in the speedy identification of eligible individual borrowers and the formulation of viable schemes for financing by banks is another important point mentioned by them. The banks also seek the cooperation of the State agencies in the recovery of loan overdues from the borrowers.<sup>59</sup> Operational problems discussed by the SLBC include timely revision by government of the ceiling limits on loans to particular scheme under IRD programme etc. in the light of increase in the cost of inputs, and making land records readily available for banker's verification.

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59. It has been mentioned by banks that the Block Officials who recommend loans under various developmental schemes should also be associated actively with bank officials in the recovery work.

The follow up on the decisions reached at the SLBC meetings is the responsibility of a senior officer of one of the Lead Banks through the conveners of the District Level Consultative Committees. The SLBC meetings are stated to be useful in bringing about a dialogue between the agencies and an appreciation of each other's constraints in the operation of the programmes. However, the representation of the State Finance Department on the SLBC though very useful and effective in certain matters, is found to be rather inadequate in highlighting the difficulties of the departments in obtaining credit support from banks to their programmes. In order to bring about greater participation and effective coordination at the higher levels, it is necessary that representative from some of the important departments such as Agriculture, Rural Development, Industry and also from input supplying agencies are included in the State Level Bankers Committee. This would enable the banks and the development departments to take immediate and necessary action at lower levels.

Meaningful preparation of the District Credit Plan and its effective dovetailing with the district development plan requires active participation of the concerned development departments, credit institutions and the input supplying agencies at the district level. It also requires the timely availability of the Annual Plan of Action of the departments and the DRDAs and also their scheme and Block-wise budgetary allocations.

However, there is no district development plan as such prepared on these lines and the practice is that the development departments at the State level allocate the schemes and funds for the same to the district level agencies. Even when a particular scheme is allocated to the district, the details of expenditure are not necessarily worked out at that time. It is a subsequent exercise which the district development department does at a later stage.

It has been mentioned that during the year 1980-81, non-availability of district development plans in time had been a constraint in the preparation of the District Credit Plans by the Lead Banks. Since the preparation of the district development plans and District Credit Plan are inter-linked exercises, it is necessary for the district level officers of the government and banking agencies to have a continuous dialogue.

However, the functioning of the District Level Consultative Committee is stated to be a routine affair. It has been mentioned by some of the District Collectors that the banks do not furnish timely information on the implementation of the Credit Plans to enable them to do effective monitoring and review. A view has been expressed that very few useful decisions are taken in the meetings of the District Level Consultative Committees. It has also been pointed out that



commitments made by individual agencies at the meetings need to be more systematically followed up by the Lead Bank with the help of the Project Officers of the DRDAs.

Another shortcoming mentioned in connection with the implementation of the District Credit Plans pertains to the timely allocation of credit targets as between the different credit institutions. The delay in this allocation makes it difficult for the banks to integrate the Annual Credit Plan targets with their own performance budget. In fact, it has been mentioned that in several cases the Credit Plan targets are outside the banks' performance budgets. Secondly, the allocation of targets as between the different agencies is done by the Lead Bank on the basis of their past performance and the credit absorption capacity of their areas. In allocating targets, the overdue position of the District Central Cooperative Banks was not being taken into account which made it difficult for them to fulfil their targets.

The RBI guidelines on district credit planning emphasize that "infrastructural support required for implementation should be clearly spelt out and responsibilities of each of the agencies pinpointed..... the banks have only furnished the Annual Action Plan for 1980 in the form of statistical tables, without indicating the action to be taken by the State development agencies and credit agencies. Unless action

oriented plans are drawn up, it is likely that targets may not be achieved and it may be difficult to fix the responsibility for non-attainment of the goals."

In Tamil Nadu, the infrastructure requirements are indicated in the 1980-82 District Credit Plans. However, the extent of responsibility of each agency in the implementation of a particular scheme/programme has not been clearly mentioned. This would require detailed programming by the district level development agencies and banks, which has yet to develop in a systematic manner. Efforts are being made to work out cost and benefit norms, to issue monitoring cards to the weaker sections which would improve the information flow for planning and review of the development programmes.

Apart from detailed programming, another important factor which will enable the credit programme to have an impact on the small and marginal farmer's economy is the formulation and financing of an optimum mix of activities in agriculture, minor irrigation, dairying etc. keeping in view their managerial potential. So far, the endeavour of the governmental and credit agencies has been to have a spread out coverage of the weaker sections. This approach makes the follow up on the schemes difficult. The present

staff strength of the banking and cooperative institutions is inadequate for effective follow up action on the utilization of medium term loans. A group financing approach instead of individual financing would reduce the risk factor in advancing loans to small and marginal farmers and other weaker sections whose resource base is meagre. In fact, some of the cooperatives could be promoted exclusively for small and marginal farmers.

## SUPPLY OF FERTILIZERS

Planning and supply of institutional credit constitutes only one aspect of a well integrated Delivery System for the small and marginal farmers. Another important aspect is to render institutional credit effective in bringing about the necessary impact on farm practices, production and incomes. It requires, besides close follow up on proper credit utilization, simultaneous planning and management of an efficient system of supply of physical inputs such as chemical fertilizers, improved seeds and pesticides and also the necessary services like research supported extension, storage and marketing of farm produce etc.

### Organization for Fertilizer Supply

Fertilizer is one of the crucial inputs necessary for modern agriculture based on high yielding varieties of seed. In Tamil Nadu, fertilizers are supplied to all farmers including small and marginal farmers by (a) Tamil Nadu Cooperative Marketing Federation (TANFED) through the depots (for fertilizers) of Primary Agricultural Service Cooperative Societies, through Cooperative Marketing Societies and retail points of the TANFED and (b) through private dealers. TANFED plans the procurement and supply of fertilizers through all

the cooperative organizations in the whole of Tamil Nadu except in Thanjavur and Nilgiris districts. In these two districts, it is done through the Thanjavur Cooperative Marketing Federation and Nilgiris Cooperative Marketing Society, respectively.

TANFED was established in the year 1959, primarily as a consumer oriented marketing organization under the nomenclature of the Madras State Cooperative Supply and Marketing Society Ltd., with the District Cooperative Supply and Marketing Societies, State Warehousing Cooperative and Primary Marketing Societies as its members. With the creation of the Tamil Nadu Consumer Federation in 1966 to look after the marketing of consumer items, TANFED became the apex organization of the Primary Cooperative Marketing Societies, mainly looking after the agricultural marketing and processing activities. The objectives of TANFED are :

- i) to arrange for the marketing of agricultural produce;
- ii) to supply agricultural inputs such as chemical fertilizers, seeds, pesticides etc.;
- iii) to manufacture granulated fertilizers and other manure mixtures;
- iv) to process agricultural produce through its processing units;
- v) to run a tractor workshop; and
- vi) to provide scientific storage facilities for farmers.

In the initial stages, the marketing, processing and storage of agricultural produce was the Federation's dominant activity. The distribution of indigenous fertilizers was done in a limited way only. However, with the appointment of TANFED as the wholesaler and stockists for pool (imported) fertilizers in the year 1973-74 by the Government of India, the fertilizer distribution has become its primary activity. All the co-operative institutions dealing hitherto independently in indigenous fertilizers were also brought under its arm.

In the year 1976, the Government of India changed its policy and appointed the Food Corporation of India as its wholesaler for the distribution of pool fertilizers<sup>60</sup> for the entire State. However, TANFED continues to be the wholesaler for indigenous and pool fertilizers retailed through the cooperative organizations in the entire State excepting those located in Thanjavur and Nilgiris districts. Besides the cooperative outlets, TANFED started supplying fertilizers to major institutional agencies such as State Farms Corporation, Forest Plantation Corporation, Cooperative Sugar Mills etc. from the year 1978-79. The entire State share of urea and complex fertilizers supplied by the Indian Farmers Cooperative (IFFCO) is also channelized through the TANFED except in

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60. Pool Fertilizers constitute only about ten per cent of the total fertilizer consumption in the State.



Thanjavur district. The Federation is thus the biggest single distributor of fertilizers in the State. It supplies about 52 per cent of the total fertilizer distributed in the State and is expected to increase its share to 60 per cent in the year 1981-82. There are about 13,000 licensed<sup>61</sup> private dealers in fertilizer distribution out of which hardly about 2,500 are stated to be active in the marketing of fertilizer.<sup>62</sup> Besides the cooperatives and the private dealers, the Tamil Nadu Agro Industries Corporation which is under the control of the Agriculture Department of the State government is also engaged in the distribution of fertilizers to farmers through its agricultural depots situated at Block level.

#### Organizational Structure of TANFED

The Tamil Nadu Cooperative Marketing Federation has an Executive Committee elected by its members viz. the Primary Marketing Cooperatives and Warehousing Corporation. A senior officer of the Cooperative Department who is on deputation from the State government acts as its Chief Executive Officer.

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61. The licence is granted by the Agriculture Department of the State government on payment of prescribed fees. Even the cooperatives have to obtain a licence to deal in fertilizer business.

62. This is stated to be due to the generally adequate supply position of fertilizers and the inadequate distribution margin and commission rates offered to the dealers.

At the headquarters level, he is assisted by a Chief Fertilizer Officer and a Chief Marketing Officer-cum-Chief Seeds and Pesticides Officer. They are of the rank of Joint Registrar and Joint Director and are on deputation from the Cooperative and Agriculture Department, respectively. They are assisted by other technical and non-technical staff. Similarly, the Thanjavur Cooperative Marketing Federation and Nilgiris Cooperative Marketing Society also function under the control of their respective elected bodies. Officers of the level of Joint Registrar of Cooperative Societies act as their Chief Executives. However, on 9 June 1976, the elected committees, including that of TANFED, were superseded by a State Government Ordinance and Special Officers have been appointed to run these institutions.

The regional offices of TANFED are located at the district level and are manned by Regional Officers. They are of the rank of Deputy Registrar of the Cooperative Department who are on deputation to the Federation. Below the regional offices, there are the Primary Agricultural Service Cooperatives and Primary Agricultural Marketing Cooperatives who constitute the major segment of actual retail outlets supplying fertilizers to all farmers including small and marginal farmers.

### Planning for Fertilizer Supplies

As already mentioned in the Section on "Supply of Institutional Credit", the district level Technical Committee constituted by the District Central Cooperative Bank decides upon the scales of finance to be advanced per acre for each crop in the district during the ensuing agricultural year. It also decides upon the requirement of different varieties of fertilizers required per acre for each crop. This is based on the requirements of the area, availability of water resources and the seasonality. Based on this assessment, and also taking into account the Agricultural Credit Limit Applications wherein the land holding size of each member is mentioned, the Primary Agricultural Service Cooperatives assess their requirements of fertilizers, extent as well as type, in their area of operation and send the same to their respective Regional Fertilizer Officers of TANFED located at the district headquarters before the end of May each year. The requirements of all the Primary Agricultural Service Societies in the district are consolidated by the Regional Officer of TANFED. The consolidated district requirements are then placed before the District Cooperative Fertilizer Committee. This Committee comprises of District Collector as Chairman, Regional Officer of TANFED as Convenor and the Chairman and Executive Officer of the District Central Cooperative Bank, Regional Joint Registrar of Cooperative Societies and Deputy Director of

Agriculture as members. There are also few non-official members nominated by the Collector to represent the farmers and private dealers in fertilizers. The Committee examines the requirements of fertilizers for the district provided by the TANFED Regional Officer in the light of the suggestions made by the Central Cooperative Bank and other members on the maximum quantity of popular varieties to be kept as reserves during the whole year by the cooperatives. In the light of these discussions, the Committee decides upon the requirements of fertilizers for the district as a whole.

The recommendations of the Committee in respect of requirements of fertilizers for the district are sent to the TANFED and in case of Thanjavur and Nilgiris districts to the Thanjavur Cooperative Marketing Federation and Nilgiris Cooperative Marketing Society, respectively. All the three organizations consolidate the requirements received from districts and discuss the same with the manufacturers and suppliers<sup>63</sup> of various types of fertilizers. The suppliers have fixed quotas for each State and in the light of the quota fixed for Tamil Nadu and their own sales plan, they allocate it to different distributors including the Cooperative Sector.

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63. TANFED draws its supplies of indigenous fertilizers from manufacturers like, Madras Fertilizers Ltd., Neyveli Lignite Corporation, Indian Potash Ltd., Fertilizers and Chemicals Travancore Ltd., Southern Petrochemicals Industries Ltd., Mangalore Chemicals and Fertilizers Ltd., E.I.D. Parry Ltd., Shaw Wallace Ltd., Kothari (Madras) Ltd., Pyrites Phosphates and Chemicals Ltd., etc.

Generally, while allocating fertilizer to different distributing agencies, they take into account the past distributional performance of the agency, cropping pattern of the area etc. In the light of the supplies agreed upon, the TANFED, the Thanjavur Cooperative Marketing Federation and Nilgiris Cooperative Marketing Society place orders with the producers direct as and when required.

As regards pool (imported) fertilizers, the Ministry of Agriculture, Government of India allocates the same to the State government on the basis of biannual assessment of supply and demand positions. The State government allocates the same among the different districts. The District Collector who gets the intimation about the district's allocation, informs the TANFED etc.

TANFED gets its non-pool (indigenous) fertilizers from the manufacturers either on ex-warehouse basis or at its fertilizer buffer godowns located at the district headquarters. The second stage transportation of these fertilizer stocks to the retail outlets is done by the TANFED through private transportors with whom it enters into an annual contract. This reliance on private transportors is stated to be the major cause of short term bottlenecks in the supply line. The regular hike in the cost of fuel and increase in other items relating to transport as a result of inflation, also



increases the transportation costs and cuts into the already thin margins of the Federation. The cost of transportation is stated to have increased to the extent of 37 to 40 per cent over the rates fixed for the last two years.

#### System of Fertilizer Distribution to Farmers

As mentioned earlier, the District Technical Committee decides the scale of finance covering cash and kind portion for each crop for each season and on this basis the members of the Primary Agricultural Service Cooperative Societies are sanctioned short term crop loans for each season on the basis of the Annual Credit Limit sanctioned for the year. The cash and kind portions of the crop loan are known as 'A' and 'B' components, respectively. The kind component of the crop loan covering the cost of fertilizers, improved seeds and pesticides works out on an average of all the crops, to about 50 per cent of the total loan sanctioned to the members.<sup>64</sup>

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64. In rainfed areas, lifting of fertilizers by farmers against the kind portion of their crop loan is not insisted upon and they are allowed to exercise their choice in this regard. Even in irrigated areas, farmers are not forced to take the entire quantity of fertilizers against the kind portion of their crop loan. They are allowed to take only that amount of fertilizers which they require. It is found that farmers generally lift about 75 per cent of the fertilizers against their kind portion of the crop loan and this is true of small and marginal farmers also.



Based on the kind portion of the loan sanctioned to the members, and the past experience with regard to the members' drawal of the quantum and type of fertilizers, the Primary Agricultural Service Cooperative Societies, which are the retailers for fertilizer distribution, assess their monthly requirements. That is, the drawal applications of their members become the basis for their assessment of fertilizer requirements. On the basis of these assessments, the Societies place an indent with the Regional Office of TANFED for the supply of fertilizers. They are expected to place the indent for every month before the 10th of the month. It has been stated that in many instances this is not strictly followed by the Primary Societies in Tamil Nadu. They generally send their indents as and when the need for fertilizer arises. This lack of interest on the part of the Primary Societies to assess monthly demand and do advance planning for indenting of stocks is stated to be one of the reasons for bottlenecks in the supply of quantum and type of fertilizers required particularly during the peak season. Though the TANFED was also making efforts to collect the indents from the staff of the Primary Cooperatives when they attend the monthly review meetings of the Regional Office, yet it was still finding it difficult to have a reasonably accurate demand forecast and do advance supply planning with regard to procurement, storage and transportation of

fertilizers. It was also stated that in many cases, TANFED has to take initiative in the assessment of demand for fertilizer when the drawal applications for credit are prepared under the crop loan system. Since the Primary Agricultural Service Cooperative Societies are not under its direct administrative control, it has no formal way of exercising control over them to do the necessary planning. The cooperatives undertake the task of fertilizer distribution on behalf of TANFED on a commission basis<sup>65</sup> which was considered as not so attractive.

Upon receipt of the fertilizer from the regionally located fertilizer buffer stock depots, the cooperatives distribute the same to farmers according to their requirements. The cost of fertilizer is adjusted by the Primary Agricultural Service Cooperative Societies against the kind component of the loan advanced to their members. The Primary Cooperative Societies send the counterfoils of the sales receipt to the Regional Officer of TANFED and also to the District Central Cooperative Bank. The Regional Office of TANFED maintains an account with the District Central Cooperative Bank. The Bank transfers the sale proceeds of fertilizers from the Primary

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65. A commission of Rs.20 per MT is offered by TANFED to the society. Approximately a society gets a commission of Rs.1,500 to 2,000 per annum. The salesmen are paid a separate incentive commission of Rs.5 per MT.

Cooperatives account to that of TANFED by way of book adjustment. In case of fertilizer that is sold by the Primary Societies on cash basis, the sale proceeds have to be remitted every week by the Primary Societies to the current account of TANFED maintained at the District Central Cooperative Bank. In case of delayed payments, interest charges are levied. There are, however, instances where the sale proceeds were not remitted and legal measures had to be initiated by the TANFED for recovery purposes.

Some of the potentially viable Primary Societies and Cooperative Marketing Societies are sanctioned separate cash credit accommodation by the Central Cooperative Bank to undertake distribution of fertilizer on cash and carry basis. In such cases, they have to pay to the TANFED the cost of fertilizer well in advance by way of cheque. They have also to bear the cost of unloading etc. However, they are allowed commission on the retail selling price to the extent of Rs.75 to Rs.110 per MT depending upon the variety they purchase. This is to enable them to compete effectively with the private dealers who offer rebate on sale price from their distributors' margin for varieties which are not in greater demand.

Due to the shortcomings in the demand forecasting of fertilizers by the Primary Cooperatives, there are occasions when some brands of fertilizers are found to be in greater

demand than others. The farmers are stated to be against taking another brand if the brand they require is not available. The salesmen at the cooperative retail outlets who are trained by TANFED with the help of manufacturers regarding the composition etc. of different varieties of fertilizers and equivalents to be applied to suit different crop and soil conditions, advise the farmers about the alternatives. This advice is generally not provided by the staff of the Agricultural Department. It has been stated that the sales staff of retail outlets are quite competent in these matters.

The shortcomings in the system of proper demand forecasting are to some extent overcome by TANFED by way of maintaining larger margins of stocks to meet any contingencies. The Federation maintains a minimum quantum of 5 MTs per fertilizer depot of the Primary Cooperatives all the year round. Over and above this, it stocks 1/3rd of the district requirements at any point of time at its fertilizer buffer depots at the district headquarters. The cost of carrying such heavy inventories round the year places heavy strain on the finances of the TANFED. The supply position of many varieties of fertilizers in Tamil Nadu is stated to be comfortable. The high level of inventories maintained by the TANFED and the generally adequate supply position of fertilizers are stated to be causing fewer bottlenecks in

the distribution process and that too for shorter durations only.

The consignment system of distribution followed by the TANFED,<sup>66</sup> the large margin of inventory it maintains to meet seasonal and unforeseen demand for fertilizers and its lack of operational control on the Primary Agricultural Service Co-operatives who constitute the main retailing outlets lead to the accumulation of stocks over longer periods, bad storage and handling, all leading to an increase in its distribution costs. The stocks are often treated as no man's property. It has also been mentioned that the working hours followed by the cooperatives in some districts are like any government office timings and it makes the farmers turn to other sources of supply rather than have it from the cooperatives. However, the small and marginal farmers who avail the credit have to take from the cooperative only and incur the inconvenience.

The consignment system coupled with a meagrely staffed cooperative organizational set-up also makes it difficult to get information particularly about sales made, stocks on hand

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66. Under this system, the Federation retains ownership of stocks until they are sold. There is no fixed period within which a Primary Cooperative Society has to affect the sale. However, it gets a commission on the sales. It also need not undertake expenditure for transport, publicity or sales promotion of fertilizers.



and variety preferences of farmers etc. The staff strength of the Primary Societies is inadequate and incentive commission also is stated to be not so attractive to attend to the work especially in the peak season.

System of Review and Follow up for  
Utilization of Fertilizers

The availability of various kinds of fertilizers with the cooperatives and also private dealers are assessed every month with the help of the Agriculture Departments' staff. For instance, the area expected to be covered every month under paddy cultivation during the season and the requirements for both Basal and Top dressing are worked out by the staff of the Agriculture Department. The position of available stocks is reviewed in the light of the above mentioned assessment by the District Fertilizer Committee chaired by the District Collector.

After the fertilizers are taken delivery of by the loanees, its utilization is to be watched by the supervisory staff of the Central Cooperative Bank employed for the purpose and also by the Secretaries of the Primary Cooperatives. At times, the cooperative departmental staff at the Block level are also entrusted with the task. However, this supervision is stated to be scanty and the staff position of the cooperatives do not permit close supervision. As the farmers



in Tamil Nadu are progressive and are aware of the benefits of fertilizers, high-yielding varieties of seeds etc., instances of diversion of such crucial inputs are stated to be very few. The farmers, including the small and marginal ones, are stated to endeavour to get and apply such inputs to reap better production and incomes.

SUPPLY OF IMPROVED SEEDS AND PESTICIDESSupply of Improved Seeds

There are four sources of supply of certified improved seeds to the farmers (including small and marginal farmers) in Tamil Nadu. These being: (a) State Agriculture Department through its depots and sub-depots at the Block and field levels, (b) Tamil Nadu Cooperative Marketing Federation (TANFED) through the depots (for fertilizers) of the Primary Agricultural Service Cooperative Societies, through Cooperative Marketing Societies and the retail points of the TANFED, (c) private dealers and (d) farmers' own sources - seed kept from the previous crop or seed purchased/exchanged directly from other farmers.

Breeder seed is the base from which other seeds i.e. foundation seed and certified seed are produced. Production of breeder seed of various crops in Tamil Nadu is mainly the responsibility of the Tamil Nadu Agricultural University (TNAU). The breeder seed is first multiplied into foundation seed which, in turn, is further multiplied into certified seed for distribution to the farmers. Hybrid varieties of foundation seeds of paddy, millets, pulses etc. are produced on the experimental stations (farms) of TANU and the State Department of Agriculture.

The foundation seed, in turn, is multiplied into certified seed at the 44 State Seed Farms and 49 Seed Centres all of which are under the charge of the State Department of Agriculture. There is a Seed Centre for each of the Revenue Division (Sub-district level) in the State. Each Seed Centre is under the charge of an Assistant Director of Agriculture. While the State Seed Farms have their own land, the multiplication of seed in the Seed Centres is done on the farms of the selected progressive farmers in the area. In this manner, larger area can be arranged for seed multiplication in the Seed Centres as per requirements.

The progressive farmers in the Seed Centres are selected by the Agriculture Department i.e. by the Assistant Directors of Agriculture incharge of the Seed Centres. Practically, all these progressive farmers are large farmers. Foundation seed for multiplication into certified seed is supplied to the progressive farmers by the Agriculture Department and they are charged for the same. The multiplication is done under the supervision of the Agriculture Department. The certified seed produced by the progressive farmers is purchased by the Agriculture Department at a specified premium - for instance, the current premium allowed on certified paddy seed was Rs.55 per quintal (or Rs.0.55 per kilo) over the prevailing market price of paddy in the area.

The certified seed produced at the State Seed Farms and Seed Centres is distributed to the farmers through the depots and sub-depots of the Agriculture Department either on cash payment or against the crop loan provided by the Primary Agricultural Service Cooperative Societies to their members. To non-members, certified seed is supplied on cash payment.

The Department of Agriculture aims to cover every year 7 per cent of the paddy area in the State under improved seeds of departmental supply.<sup>67</sup> This coverage is proposed to be increased to 10 per cent by the close of 1984-85 in a phased manner.<sup>68</sup> Likewise, the Department aims to cover every year by improved varieties 15 per cent of the cropped area under ragi and 30 per cent of the area under hybrid millets i.e. cholam, cumbu and maize. The remaining is to be covered by normal supply channels<sup>69</sup> i.e. farmers' own sources which is stated to be the main source and private dealers. About one-fourth of the certified seed handled by the Agriculture

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67. Government of Tamil Nadu, Agriculture Department, Policy Note on Agriculture, 1981-82, p.10.

68. Ibid., p.6

69. Ibid., p.10

Department is produced in the State Seed Farms and the balance in the Seed Centres. It may be mentioned here that the programme for the supply of improved seeds to the farmers has been in operation in the State for a long time.

The certification of seeds is mandatory and is done by the State Directorate of Seed Certification. The representatives of this Directorate visit both the government and private farms where foundation seed is multiplied into certified seed. These visits are made at three stages : (a) at the time of sowing, (b) at the time of flowering and (c) at the final stage for seed certification. Processing of seed (cleaning etc. and mixing of seed dressing chemicals) and packing is also done in their presence at the final stage. Each package of certified seed contains a tag at the top signed by the representative of the Directorate of Seed Certification. This tag also shows the period of validation of the seed. If required later, re-validation of the period has also to be done by the representatives of the Directorate.

Private persons/companies engaged in the production of certified seed, get their supply of foundation seed from the State Department of Agriculture/National Seeds Corporation.

Tamil Nadu Cooperative Marketing Federation (TANFED) is a very recent entrant in the supply of certified seeds to the farmers. It started its operations in this field in a small

way during 1980-81 and from July to December 1980, it purchased seeds worth only twenty one thousand rupees for distribution to the farmers.<sup>70</sup> However, with the objective of making available all the required agricultural inputs under one roof as per the decision of the National Cooperative Development Corporation,<sup>71</sup> the TANFED is planning to increase its seed distribution activities over the years.

TANFED gets its supply of certified seeds from a consortium of nine Cooperative Marketing Societies in Coimbatore and Periyar districts - Tudiyalur Cooperative Agricultural Services (TUCAS) Coimbatore. For the multiplication of quality seeds of paddy, cotton, groundnut, cereals and pulses, a Seed Development Project was started by TUCAS in 1976-77. The Project contemplates production of about 25,000 tonnes of seeds in 23,000 acres of land of their members in 11 centres.<sup>72</sup> TUCAS also gets the foundation seed from the State Department of Agriculture for multiplication in a certified seed and seed certification is done by the State Directorate of Seed

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70. Tamil Nadu Cooperative Marketing Federation, TANFED - A Cooperative for the Farmers of Tamil Nadu, p.18.

71. Ibid., p.17.

72. Government of Tamil Nadu, Food and Cooperation Department, Policy Note on Cooperation Department for the year 1981-82, p. 16.



Certification. The certified seed produced by TUCAS is sold to private dealers/companies and the TANFED.

The position in respect of supply of improved seeds to the farmers including small and marginal farmers in the State is stated to be satisfactory.

#### Supply of Pesticides

About 1/5th of the requirements of pesticides in Tamil Nadu are supplied to the farmers by the State Department of Agriculture through its depots and sub-depots at the Block and field levels. The balance of requirements is supplied through (a) private dealers and (b) Tamil Nadu Cooperative Marketing Federation (TANFED) through the depots (for fertilizers) of the Primary Agricultural Service Cooperative Societies, through Cooperative Marketing Societies and the retail points of the TANFED.

The Agriculture Department calls for tenders for various pesticides from the various producers of the same before the beginning of the agricultural year and the rates and supply sources are finalized. The requirements of pesticides are assessed continuously at the district level and the Joint/Deputy Directors of Agriculture incharge of the districts go on placing indents with the concerned producers. The supplies are then distributed to the farmers through the depots and sub-depots of the Department either on cash payment or against

the crop loan provided by the Primary Agricultural Service Cooperative Societies to their members. Non-members get these on cash payment.

TANFED entered into the field of pesticides distribution only from November 1979. It gets its supplies of pesticides from Tudiyalur Cooperative Agricultural Services (TUCAS) Coimbatore and other producers. From July 1981, TANFED has become the monopoly distributors of TUCAS pesticides in the five districts of South Arcot, North Arcot, Salem, Chengalpattu and Dharmapuri. It has also entered into dealership contracts with most of other producers of pesticides. From November 1979 to December 1980, TANFED had purchased pesticides worth Rs.0.722 million<sup>73</sup> for selling the same to the farmers and it is planning to increase the supply of pesticides over the years.

The general supply position of pesticides in the State is also stated to be satisfactory for all farmers including small and marginal farmers. Over the year, the farmers in Tamil Nadu have come to realize the importance of the use of modern inputs covering chemical fertilizers, improved seeds and pesticides and they are stated to endeavour to get and apply these inputs to improve their production and incomes.

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73. Tamil Nadu Cooperative Marketing Federation, TANFED - A Cooperative for the Farmers of Tamil Nadu, p.18.

AGRICULTURAL RESEARCH AND EXTENSIONAgricultural Research

At present, the responsibility for agricultural research in Tamil Nadu rests with two agencies i.e. Tamil Nadu Agricultural University (TNAU) and the Directorate of Agriculture. TNAU has four campuses - two main campuses at Coimbatore and Madurai and two campuses at Madras and Tuticorin. In addition, there are ten research stations/centres under the control of TNAU. The research is undertaken on the farms located at two main campuses and ten research stations/centres. Steps are also underway to upgrade/start Regional Research Stations in six different agro-climatic zones in the State under the World Bank - ICAR National Agricultural Research Project.<sup>74</sup> The Directorate of Agriculture has 25 research stations spread throughout the State. Research is largely concentrated on these stations, although limited work is also done on farmers' fields in a few villages surrounding the various research stations.

The research activities of TNAU cover agricultural crops, horticultural crops, farm machinery, food processing and live-stock. The major focus of research has been to solve field

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74. Tamil Nadu Agricultural University, Ninth Annual Report, 1979-80, p.3.

problems with multi-disciplinary approach. Basic research in different disciplines is also carried out to derive long-term benefits. In the field of agricultural research during 1980-81 "The research efforts made continued to be problem-oriented involving multi-disciplinary approach. The major thrust was on cropping system with emphasis on multiple, relay and bund cropping, intensification of research on pulses and oilseeds, operational research in water management, dry land farming, low-cost technology, integrated pest management, bio-fertilizers, alternate source of energy, etc."<sup>75</sup> As a part of these research programmes, a few new seed varieties were released and in addition "promising cultural practices were identified in different crops for high yield and resistance to pests, diseases, drought and salinity."<sup>76</sup> The main areas of research by the Directorate of Agriculture cover paddy, coconut, groundnut, cotton and sugarcane crops with stress on solving field problems.

The major objective of agricultural research in Tamil Nadu as elsewhere in the country is to increase crop production per unit of area by the use of improved inputs and technology on the one hand and through introduction of appropriate crop rotations on the other. In this process, efforts are also made

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75. Government of Tamil Nadu, Department of Agriculture, Policy Note on Agriculture, 1981-82, p.46.

76. Ibid.

to develop low cost technology. The entire research is for the benefit of all categories of farmers. In addition, TNAU is also making research efforts for improving the income and employment levels of marginal farmers through mixed farming. "With an objective of maximising net income and employment for marginal farmers of Paiyur area by introducing mixed farming practices, different types of mixed farming practices linking dairying and poultry keeping either singly or both along with cropping, were compared with pure cropping system. The cropping patterns were formulated to fit in the marginal farmers holding size of two acres taking into consideration the feed requirements of live-stock and food requirement of the farmer. The dairy unit consisted of three cows and poultry unit six layers.

"The results indicated that the mixed farming practice linking dairying was most remunerative which gave the highest net income of Rs.2,956/year with per day net income of Rs.8.10 in comparison with pure cropping system, which gave an annual net income of Rs.870 only, with per day net income of Rs.2.38. The other best mixed farming practices in the order were linking dairying plus poultry keeping and linking poultry keeping alone, which recorded annual net income of Rs.1,913 and Rs.745 and per day net income of Rs.5.24 and Rs.2.04, respectively. The output-input ratio was also higher in the mixed farming practice linking dairying (1.46) compared to pure cropping system(1.32).

"The additional employment generated to the marginal farmer was 207 man days in mixed farming system linking dairying and poultry-keeping, 190 man days in mixed farming linking dairying and 37 man days in mixed farming linking poultry-keeping over pure cropping system. Therefore, mixed farming linking dairying could profitably be advocated to marginal farmers for assured income and employment."<sup>77</sup>

It may be stated here that Tamil Nadu government has recently decided to transfer full responsibility of agricultural research to TNAU including the transfer of agricultural research stations presently under the control of the Directorate of Agriculture and steps are being initiated to implement this decision.

As regards the linkages of TNAU with the Directorate of Agriculture, a Research Council has been established by TNAU "to make policy decisions on research in various Faculties of the Colleges and Research Stations attached to the University. The Council is functioning from 1973....".<sup>78</sup> This Council is headed by the Vice-Chancellor of the University and, among others, Directors of Agriculture, Animal Husbandry and Fisheries are also its members. The total membership of this Council is

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77. Tamil Nadu Agricultural University, Ninth Annual Report, 1979-80, pp. 83-84.

78. Ibid., p.25.



sixteen.<sup>79</sup> Like all Agricultural Universities in India, TNAU has three functions - teaching, research and extension education. For extension education policy also, there is an Extension Education Council again headed by the Vice-Chancellor of the University. Among others, Directors of Agriculture, Animal Husbandry and Fisheries are also represented on this Council. Total membership of this Council extends to 23 including five progressive farmers from outside the University nominated by the Pro-Chancellor on the recommendation of the Vice-Chancellor.<sup>80</sup> These formal relations between the TNAU and the Directorate of Agriculture are also supplemented by numerous informal contacts between them at various levels.

The TNAU reaches the farmers for extension education through various ways including its training programmes for the farmers and for the concerned government officials.

#### Agricultural Extension

"It is interesting to note that in India, the expression 'extension' is often used in official documents in juxtaposition with 'organisation' or 'agency'. The oft-quoted phrase from the First Plan - 'Community development in the method and Rural Extension, the agency' gives an idea of the terminological

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79. Ibid., pp.25-26.

80. Ibid., pp.27-30.

overlap. Specialists generally define extension as the 'educational process which aims at carrying useful and tested body of knowledge to the people in the way that it is understood by them, accepted by them and used by them in order to improve the quality of their life'. The focus in such definitions is on transmission of useful and tested knowledge."<sup>81</sup> The term 'extension' has been used here as defined by the specialists.

As regards extension education to farmers by TNAU, it uses a variety of extension techniques for this purpose. For illustration, during 1980-81 "About 600 popular articles based on research findings (covering agricultural crops and others) were sent to leading newspapers and journals. Six information folders, five books and 16 booklets on different subjects on Agricultural Sciences were published. The University's monthly Tamil Journal "Valarum Velanmai" with a subscription list of 10,000 was improved qualitatively and quantitatively. A monthly Newsletter incorporating latest research findings was published. Eight correspondence courses involving 541 farmers were conducted. The Farm School on All India Radio sponsored by the University attracted 1,514 farmers and others. More than 120 talks were recorded in the University Studio and sent to All India Radio for broadcast. Under the Lab-to-Land programme, the University adopted 3,000 families in seven centres. Farmers' Training

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81. M. Shiviah, et. al., Block Level Administration - An Analysis of Salient Dimensions, National Institute of Rural Development, (Hyderabad, November 1979), p. 7.

Centres at Coimbatore, Madurai, Hosur and Orathanad imparted training and conducted demonstrations on modern agriculture and animal husbandry practices. Proven farming technology was demonstrated in the National Demonstration Scheme at Vellore. A total of 60 pre-release culture trials were laid. Training and Visit system was implemented in Madurai and Breeder seed production was done at Agricultural Research Station, Bhavanisagar for supplying of seeds to governmental and private agencies. Seed sales depots at various centres sold certified seeds to farmers."<sup>82</sup> In addition, training programmes exclusively for small and marginal farmers are also conducted by TNAU. Small and marginal farmers numbering 1,936 sponsored by SFDA Coimbatore were given training for two days in low-cost technology at the Coimbatore campus of the University. Besides, 2,869 small and marginal farmers from Thanjavur district (sponsored by the Project Officer) were given training for one day.<sup>83</sup>

Agricultural extension at the field level in Tamil Nadu was the responsibility of agricultural extension staff in the Block Agencies. The organization of the Block set-up has already been explained under Coordination at the Block Level in the Section on "Coordination at the District and Lower Levels."

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82. Government of Tamil Nadu, Department of Agriculture, Policy Note on Agriculture, 1981-82, p. 49.

83. Tamil Nadu Agricultural University, Ninth Annual Report, 1979-80, p.202.

The main responsibility for agricultural extension work in the Blocks rested with the Agricultural Officers i.e. Extension Officers who were operating both directly and through the Rural Welfare Officers i.e. Village Level Workers. However, with the recent introduction of T&V System (Training and Visit System) of agricultural extension in the State, some changes are being made in the institutional arrangements for agricultural extension as discussed later in this Section.

The ultimate objective of agricultural extension is to increase agricultural production through improved methods of cultivation and use of modern inputs and technology (This has obviously to be supported by agricultural research and supply of farm inputs and credit). In Tamil Nadu, a large variety of methods are being used for extension education. Among those, a very important method is that of laying agricultural demonstrations on the fields of the farmers. For selecting the farms for these demonstrations, generally the plots of more enlightened and better off farmers are selected by the extension staff. This happens because it is easy of achievement as the better off farmers have greater capacity to bear the cost and take the risks involved and they are also more easily persuaded to accept this responsibility. Being enterprising, they generally manage these plots well and consequently, the chances of success of demonstrations on their plots are also greater. However, under

the earlier SFDA programme, some demonstrations were required to be laid in the fields of small/marginal farmers. Otherwise, it is only in limited cases that the small or marginal farmers are selected and persuaded to undertake agricultural demonstrations on their farms. They are mostly expected to learn about and adopt new technology through the percolation of the "demonstration effect."

Under the earlier SFDA programme, a specific scheme for laying agricultural demonstrations on the plots of small/marginal farmers was introduced and for this a subsidy of Rs.200 per demonstration was provided. This subsidy was to be given only once to a particular farmer. This scheme of subsidized agricultural demonstrations has since been discontinued with the introduction of the IRD programme. On the other hand, the subsidy for potassic and phosphatic fertilizers (to the extent of 25 and  $33\frac{1}{3}$  % of cost, respectively) which was available only to marginal farmers under the SFDA programme, has now been extended to cover small farmers also under the IRD programme. But along with this motivation through subsidy, agricultural extension education is also very necessary for small and marginal farmers. This aspect is again left to the agricultural extension staff which generally places greater reliance on the percolation of knowledge to the small and marginal farmers through the operation of the "demonstration effect", as stated earlier.

Agricultural extension staff of the Block Agencies in India has, however, played a very important part in spreading the use of improved methods of cultivation and of modern inputs and technology. Backed by research and input supplies support, the agricultural extension has helped in increasing agricultural production in general and food production in particular during the last few years. In spite of this achievement, some problems including inadequate attention to small and marginal farmers in the field of agricultural extension have continued. "The block organisation has indeed, played a significant role in agricultural development but it has not yet achieved success to the extent desired. Various factors have affected the performance of block organisation in matters of transfer of farm technology. These include the emphasis in the performance more on target-oriented approach than on farmer-oriented one; lack of educational approach; ineffective use of extension methods; lack of co-ordination among various development departments; and lack of organisational dedication in their profession. These problems affect the farming community in general, irrespective of the size of their holdings. The small farmers who constitute the bulk in the rural areas, are further affected by the fact that the field staff of the block does not properly attend to them.... This was the case not only in the agricultural sector, but also in



other sectors of development as well."<sup>84</sup>

To improve the quality and intensity of agricultural extension, the T&V System (Training and Visit System) of agricultural extension has already been introduced in parts of Tamil Nadu and the entire State will be covered soon by this System. According to the Policy Note on Agriculture "The Project on (T&V System) is designed to assist Tamil Nadu in improving agricultural and horticultural production. The Project consists of the reorganisation and strengthening of the agricultural and horticultural extension services over a 5 year period by establishing a single line of command between full time village extension workers and extension headquarters. Consolidation of staff from the special crop schemes of the Directorate of Agriculture into a single unified service; incorporation of regular in-service training as an integral part of extension activities; improvement of the working linkages between extension operations and agricultural and horticultural research activities, development of regular monitoring and evaluation procedures; and provision of additional staff, operating expenses, equipment, vehicles, training facilities and rural housing (for staff) are required to implement these reforms.

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84. M. Shiviah, et. al., Block Level Administration - An Analysis of Salient Dimensions, National Institute of Rural Development, (Hyderabad, November 1979), p.57.

"At present, jurisdiction of the primary extension worker is too unwieldy and the number of farmers he has to contact are also too many, thus with the available staff only a relatively small proportion of the farmers could be reached. By providing sizeable new staff, the primary village level worker will deal with 800-1000 farm families within an area span of 2-4 villages depending on population density. Through continuous and regular training and fixed designed programme of visits, the extension workers transfer the improved farm technology to ryots through contact farmers who include small farmers. Through the mutual participation of exchange of views the field problems are fed back to the agri scientists who in turn find out suitable solutions. This concept of training and visit suitably assisted by Subject Matter Specialists, is being built up with required alterations in the higher levels also for a good 'lab-to-land' flow.

"This State is already having knowledgeable and enthusiastic farmers, a good level of production and a high standard extension set up which has been recognised by the World Bank itself. With the introduction of the re-organised set-up, it is expected to further improve the ability of the extension service leading to better service to farmers and increased production."<sup>85</sup>

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85. Government of Tamil Nadu, Agriculture Department, Policy Note on Agriculture, 1981-82, pp.1-2.

Under the above arrangements, the entire staff of the Agriculture Department in the Blocks is being taken out of the Block set-up and placed directly under the control of the Agriculture Department. Consequently, instead of Block Agencies, Agriculture Department has now become directly responsible for agriculture extension in the State.

In this new system, it is specifically intended to involve the small and marginal farmers directly in the programme of agricultural extension. This is a very welcome development. However, in addition to this, there also appears to be a need to make it obligatory on the part of the agricultural extension agency to contact a given number/proportion of small and marginal farmers for extension education by various methods; to reserve for distribution a given amount of farm inputs among them; and to motivate them to use the improved inputs and new technology. This could be made more effective by clearly laying down in the Five Year/Annual Plans that a given proportion of the visualized increase in agricultural production should come from the small and marginal farmers. These arrangements, among other things, are necessary to ensure that the benefits of development reach the small and marginal farms to a perceptible extent consistent with their large number.

It may also be stated here that the introduction of the direct line of command under the T&V System from the Village Level Worker to the Extension Headquarters in the Directorate of Agriculture, outside the Block set-up is, however, likely to have adverse effects on the coordination of agricultural extension and input supplies at the field level.<sup>86</sup>

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86. With the introduction of T&V System in Tamil Nadu, about five multi-purpose Rural Welfare Officers i.e. the Village Level Workers proposed to be shifted from each Block Agency to the T&V System are, however, expected to be replaced by an almost equal number of Village Level Workers in the Blocks. But the Village Level Workers in the Blocks were now not expected to undertake agricultural extension work and they would only be attending to their other duties.

AGRICULTURAL MARKETINGRegulated Markets

Agricultural marketing in Tamil Nadu is regulated under the Tamil Nadu Agricultural Produce Market Act of 1959 and the Rules made thereunder in 1962. This Act and Rules are in force in the State from 1962. All the districts in Tamil Nadu except Madras (it is an urban district) and Nilgiris (a hilly district) are covered by this Act and Rules. The State Director of Agricultural Marketing is the administrative authority for enforcing the provisions of this Act and the Rules through the Market Committees which are constituted for each district.

All the regulated markets in a district are controlled by the concerned Market Committee. These markets are notified for regulation by the State government. For instance, in Chengalpattu district, there are 14 regulated markets functioning at present and the State government has already given clearance for the opening of two more regulated markets in the district. The total number of regulated markets in the State is 230.

The main objective of the Act is to ensure smooth and fair marketing of the agricultural produce through the regulation of market practices in respect of notified items of agricultural produce. Practically all items of agricultural produce grown

in the State have been declared as notified agricultural produce under the Act for the purposes of regulation.

A Market Committee for the district normally consists of 18 members - 9 representing the producers of notified agricultural produce, 4 representing traders, one Assistant Director of Agriculture (Marketing) and not more than 4 members from the public to be nominated by the State government out of which one should be representing the cooperative interests. The representatives of producers and traders are elected. The electoral roll for producers consists of all farmers in the district and the district is divided into constituencies for election. Similarly, traders of agricultural produce in all the regulated markets form the electorate for the election of their representatives. The members so elected and nominated elect one producer representative as the Chairman of the Market Committee and another member as Vice-Chairman. The election authority rests with the Collector of the district. The term of office of the Market Committees is five years. Each Market Committee has a Secretary who is the executive authority for the proper enforcement of the Act and the Rules. Till November 1981, these Secretaries were the employees of the concerned Market Committees but they have now been made government officers as also transferable to other Market Committees in the State. It may, however, be stated here that the Market Committees in



Tamil Nadu were dismissed by the State government during 1978 and Special Officers were appointed to discharge the functions of these Committees. This position is still continuing.

Each regulated market is managed by the staff of the Market Committee i.e. by the superintendent of the regulated market assisted by one-two yard supervisors and one-four yard mistries depending upon the quantum of agricultural produce being handled in the regulated market.

All the traders (commission agents for purchasers) and the weighmen functioning in the regulated markets have to take a licence from the concerned Market Committee and the labourers (coolies) have to get themselves registered with the office of the regulated market. The labourers and weighmen are assigned the work by the staff of the regulated market. The charges for cleaning and bagging of the agricultural produce by the labourers and for weighmen are fixed by each Market Committee. These charges have to be paid by the traders purchasing the produce and are collected from them by the regulated market office. The collections are pooled separately for labourers and weighmen and are equally distributed among the members of the concerned category every day in the evening. All services rendered to the farmers selling their produce in the regulated markets in Tamil Nadu are free of charge.

The sale of agricultural produce is done through a tender system for each lot received and the highest bidder gets the lot. When a farmer brings his produce for sale to a regulated market, the market labourers pour out the produce on the market yard, clean and shuffle it, make it into a composite heap and pack it in the gunny bags provided by the Market Committee. The produce so packed is weighed and presented for sale to the intending traders by assigning a lot number to each lot and the seller. Cleaning, packing and weighment of the produce is done in the presence of the regulated market staff. The traders assembled in the regulated market quote the price at which they are ready to purchase the lots of their choice. These quotations are made confidentially on the tender slips provided by the Market Committee and the bid slips are deposited in a box meant for this purpose. At an appointed hour every day, the bid box is opened by the officials of the regulated market, the quotations are compared and the highest bid for each lot is found out by a comparison of prices. The highest price for each lot is announced to the producers and sellers and their consent obtained for the price quoted. If the price quoted is not acceptable to the seller, he is at liberty to with-hold his produce from sale; and keep it in the temporary storage in the regulated market depending on the availability of space. The trader, on the other hand, is bound by the by-laws to agree for the price quoted by him. With the consent of the seller, the

total value of the quantity sold is worked out by the staff of the regulated market and a "weighment chitta" is handed over to him for receiving payment from the concerned trader. Thus, the seller is given a complete record of the entire deal pertaining to each lot in the form of a "weighment chitta" which is prepared in triplicate covering the crop and the number of the lot, name of the weighman, actual weight, names of seller and buyer, rate quoted by the buyer and actual amount payable to the seller etc. Two copies of the "weighment chitta" are given by the regulated market staff to the seller who has to furnish a stamped acquittance in the original of the "chitta" on receiving payment from the trader. The duplicate copy of the "chitta" is kept by the seller for his record. The buyer has to present the original payment vouchers to the officer incharge of the regulated market for the release of the goods purchased. The officer, in turn, will pass orders for the release of the sold goods after verifying that the seller has received the full payment due to him and that the trader has also made the payment of the market charges payable by him to the Market Committee covering market fee (the present rate being Rs.0.45 for every Rs.100 worth of goods purchased) and the charges for weighment and the services of the market labourers.

#### Cooperative Marketing

The Cooperative Marketing Societies (Primary marketing societies) in Tamil Nadu are generally organized at Taluk level.

There are 115 such societies in the State and these are affiliated to the Tamil Nadu Cooperative Marketing Federation (TANFED) at the State level. The main objectives of these societies are to market the agricultural produce of their members to their best advantage and to distribute agricultural requisites such as manure (fertilizers), seeds, pesticides, agricultural implements etc.

The membership of the Cooperative Marketing Societies consists of : (a) Primary Agricultural Service Cooperative Societies in their area and all the members of these Primary Societies are thus entitled to avail of the facilities and services provided by the Cooperative Marketing Societies, (b) individual cultivators - these societies have 0.68 million such members, (c) nominal members with no right to vote or participate in the management of the Marketing Societies. Traders and commission agents are admitted as nominal members with the limited purpose of bringing disputes with them, if any, under the provisions of the Tamil Nadu Cooperative Societies Act. The total number of nominal members was about 96 thousands in all the Marketing Societies, and (d) other Cooperative Societies.

The Cooperative Marketing Societies purchase from their members agricultural produce like paddy, cotton, groundnut, coffee, potatoes, vegetables, turmeric, arecanut, chillies,

gingelly and cardamom. During the three years ending 1980-81, the value of agricultural produce marketed by these Societies and crop loans recovered from the farmers were as follows :

Year	Amount (Rs. millions)	
	Marketing of agricultural produce	Recovery of crop loans
1978-79	383.6	18.6
1979-80	411.5	17.2
1980-81	550.0	16.1

Besides undertaking outright purchase of the produce of their members, the Marketing Societies also arrange for the sale of the produce of the members as their agents for sale in the regulated markets. The outright purchase of produce is done at the prevailing market prices in the area. The information about prevailing market prices is generally obtained by the staff of the Marketing Societies through contacts with the staff of the regulated markets in their area. The Marketing Societies have their own transport and often purchase the produce from their members in the village itself. The Societies also purchase even small quantities offered for sale by their members. The small and marginal farmers were being encouraged to avail of

these facilities. In case a non-member offers its produce for sale to a Marketing Society, he is admitted as a member and his produce purchased. Payment by the Marketing Society in the case of all outright purchases is made to the farmers on the spot.

The Marketing Societies also advance loans on the pledge of produce to enable the members to hold their produce for obtaining a better price later. In the case of cash crops, the Societies advance 75 per cent of the prevailing market price of the pledged produce and 60 per cent of the same in the case of non-cash crops. The pledged produce is physically handed over to the Society and the farmer is required to pay the following charges to the Society at the time of the release of his produce: (a) interest on the amount advanced at the rate 1 to 1.5 per cent higher than the rate of interest charged by the District Central Cooperative Bank, (b) godown rent at the rate of Rs.0.20 per quintal per month and (c) fumigation charges. Every Marketing Society is having a cash-credit facility with the concerned District Central Co-operative Bank from which the Society draws the money either for outright purchases or, for giving advances against the pledge of the produce.

All Marketing Societies have facilities for grading of the produce and a large number of them also have processing facilities (e.g. rice and oil milling and cotton ginning) in



respect of the important crops of their areas. These Societies grade; and process the produce wherever possible before selling the same. The Marketing Societies in Tamil Nadu have practically an assured market for their produce through sales to : (a) fair price shops in the State, (b) cooperative wholesale stores, (c) employees' cooperative stores in the industrial centres and (d) employees' canteens at various centres/offices. At times, the Marketing Societies have to purchase produce from outside (regulated markets) to meet their supply commitments.

During 1981, a new scheme of joint venture between the farmer and the Marketing Societies has been introduced to help the farmers to get a better price for their produce through holding, grading and processing the same with the help of the Marketing Societies. Under this scheme, for any agricultural produce offered to a Marketing Society, the Society will immediately pay 90 per cent of the market value of the produce to the farmer and keep the produce in its godown. The produce will be sold later by the Society at a better price after grading and processing. The net increase in income (value of the produce) will be shared on 50:50 basis between the farmer and the Society. For working out the net increase in income, all expenditure (godown charges and other processing charges) will be equally shared and deducted from the gross increase in income. The farmer will, however, be required to pay to interest charges to the Society at the rate of 12 per cent per

annum on the 90 per cent of the market value of the produce taken by him in advance. This scheme is only a few months old and efforts are being made by the Marketing Societies to popularize it among the farmers.

The Marketing Societies are also making efforts to recover the crop loan dues from the members of the Primary Agricultural Service Cooperative Societies who sell their produce through them. Though in the case of each crop loan advanced by the Primary Societies, there is a stipulation that the member will sell his produce through the Marketing Society, Yet in actual practice, very few of such members come forward to make this loan-recovery linkage effective. The Marketing Societies also do not insist hard on the linking of loan repayment with the sale of the produce to them due to the general reluctance of the members to sell their produce to the Marketing Societies in such an eventuality. Thus, the link between the loan and its recovery through sale of produce to the Marketing Societies is not very effective at the operational level.

It will be seen from the above exposition in this Section that Tamil Nadu has a well developed and regulated system of agricultural marketing which provides a fair deal to all categories of the farmers. The cooperative marketing is also well developed and is gaining momentum in the State.

SUMMARY AND CONCLUSIONS

In Tamil Nadu, there are no separate agencies for providing credit, farm inputs and extension services exclusively to small and marginal farmers and the arrangements for these supplies/services for all categories of farmers are the same. There is also no earmarking of specified quantum of farm inputs (chemical, fertilizers, improved seeds and pesticides) for small and marginal farmers only. There is, however, an earmarking of specified portions of commercial banking and cooperative credit for small and marginal farmers and other target groups. For instance, cooperatives in India are expected to lend not less than 20 per cent of their total short-term credit i.e. crop loans for the purchase of farm inputs etc. to the small and marginal farmers. In Tamil Nadu, they are actually getting more than 20 per cent.

For the supply of credit, two agencies are involved - cooperatives and commercial banks. As regards farm inputs, these are being supplied by cooperatives, Agriculture Department and private dealers. Agriculture extension was being provided by the Block Agencies. However, with the recent introduction of T&V System (Training and Visit System) of agricultural extension in the State, some changes are being made in the institutional

arrangements for agricultural extension. The Agricultural Extension Project for introducing T&V System in Tamil Nadu has already been successfully negotiated by the State government with the World Bank and it has been taken up for implementation in a two year phase from 1st July, 1981. "During the first year, the programme will cover eight districts i.e. Chengalpattu, Thanjavur, Pudukkottai, Ramanathapuram, Dharmapuri, Coimbatore, Madurai and Nilgiris. The remaining districts i.e. North Arcot, South Arcot, Tiruchirapalli, Salem, Periyar, Tirunelveli and Kanya Kumari will be covered in the second phase from 1st July 1982."<sup>87</sup> Under this new arrangement, the entire staff of the Agriculture Department in the Blocks is being taken out of the Block set-up and placed directly under the control of the Agriculture Department. Consequently, instead of Block Agencies, Agriculture Department has now become directly responsible for agriculture extension.

It may also be mentioned here that the above Delivery System for the supply of credit and farm inputs has been/continues to be used for various schemes to help the small and marginal farmers under the earlier SFDA programme and now under the IRD programme.

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87. Government of Tamil Nadu, Agriculture Department,  
Policy Note on Agriculture 1981-82, (Madras, 1981), p.1

The specific schemes formulated and being implemented in Tamil Nadu under the earlier SFDA programme for helping small and marginal farmers and agricultural labourers to improve their conditions through the supply of institutional credit and financial assistance in the form of subsidies are still in operation in the State under the IRD programme (Annexure-I). Among these, the main schemes for helping individually the small and marginal farmers include minor irrigation, land development, agricultural implements, plough bullocks, farm carts, milch animals, poultry etc. As regards agricultural labourers, they are mainly getting assistance under the schemes for the supply of milch animals, poultry etc. The SFDA's earlier and now the DRDAs also provided/continue to provide subsidies to small farmers; and marginal farmers and agricultural labourers at the rate of 25 per cent and  $33\frac{1}{3}$  per cent, respectively of the loans allowed under different schemes subject to a maximum of Rs.3,000 per individual beneficiary as per details given in Annexure-I. However, the subsidy for potassic and phosphatic fertilizers which was allowed only to marginal farmers under the earlier SFDA programme has now been extended also to small farmers under the IRD programme.

Crop loans (called short-term loans) for the purchase of fertilizers, improved seeds, pesticides as also for covering some out of pocket expenses are given by cooperatives to their

member farmers including small and marginal farmers and by commercial banks to all categories of farmers. In the case of cooperatives, these loans are provided by the District Central Cooperative Banks through the Primary Agricultural Service Cooperative Societies at the village level. The commercial banks give the loans through the concerned branch of the area. The scales of finance (credit) per acre for each crop in terms of requirements of fertilizers, improved seeds, pesticides and out of pocket expenses (with a break up for fertilizers, improved seeds and pesticides as kind component and the rest as cash component) are decided in advance for the ensuing agricultural year by a Technical Committee at the level of the District Central Cooperative Bank and both the cooperatives and commercial banks give crop loans on this basis. For crop loans from cooperatives, however, the farmers are expected to take fertilizers and pesticides in kind only. The kind component forms about 50 per cent of the crop loan.

Besides the crop loans, other main schemes under which loans are provided to all farmers including small and marginal farmers by the cooperatives and commercial banks in Tamil Nadu are broadly listed below :



Primary Land Development Banks (Cooperative)	Agricultural Service Coop- erative Societies	Commercial Banks
1. Minor irrigation	-	Minor Irrigation
2. Land development	-	Land Development
3.*Tractors and equipment	-	*Tractors and equipment
4. Other agricultural implements	-	Other agricultural implements
5. Farm carts	Farm carts	Farm carts
6.*Plantations and horticulture	-	*Plantations and horticulture
7. Sheep and poultry	Sheep and poultry	Sheep and Poultry
8. -	Plough bullocks	Plough bullocks
9. Milch animals	Milch animals	Milch animals

\*Schemes not included under SFDA/IRD Programmes. All other schemes are now covered under the IRD programme.

It may be stated here that the small and marginal farmers and agricultural labourers identified under the earlier SFDA programme and now under IRD programme are encouraged to apply for loans to the cooperatives/commercial banks depending on the nature of the scheme and whether the concerned small and marginal farmers and agricultural labourers are members of the

cooperatives or not. The follow-up of these loan applications is also done by the DRDAs (earlier by SFDAs) to see that these loans are sanctioned to enable them to achieve their targets under various schemes. The target groups are also encouraged to become the members of the Primary Cooperatives. As mentioned earlier, they are also given financial assistance in the form of prescribed subsidy under various schemes.

It may be mentioned here that "there are 53.14 lakh (5.314 million) agricultural operational holdings in the State (Tamil Nadu), of which 40.86 lakh (4.086 million) holdings representing about 77 per cent have been covered by membership in agricultural credit societies (cooperatives) as on 31.12.80. The number of operational holdings of small and marginal farmers is 42.05 lakh (4.205 million), of which 31.03 lakh (3.103 million) holdings, representing about 74 per cent have been covered by membership in agricultural credit societies as on 31.12.80."<sup>88</sup>

It will be seen from the above that the coverage of small and marginal farmers as members of cooperatives in Tamil Nadu is very high. Further, it is proposed to achieve cent per cent coverage by cooperatives by all farming families (operational holdings) including small and marginal farmers in the State by the end of the Sixth Five Year Plan (1980-85).

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88. Tamil Nadu Cooperative Union, Central Cooperative Banks in Tamil Nadu, (Madras), p.4

The assessment of fertilizers, pesticides and improved seeds requirements for each district in Tamil Nadu is done by the cooperatives and agriculture departmental set-up. As stated earlier, the scales of finance for fertilizers, improved seeds, pesticides and out of pocket expenses per acre for different crops are decided by a Technical Committee at the level of the Central Cooperative Bank of the district. On this basis, the Primary Agricultural Service Cooperative Societies assess their total annual fertilizer requirements which are consolidated at the district level. These requirements are then examined and finalised by the District Cooperative Fertilizer Committee headed by the District Collector with the Regional Officer (at the district level) of the Tamil Nadu Cooperative Marketing Federation (TANFED) as its convenor. These requirements are then passed on to the TANFED for making arrangements of supplies. The requirements of improved seed and pesticides are decided by the Department of Agriculture and arrangements made for their supplies.

As regards the Delivery System for farm inputs, while improved seeds and pesticides are supplied by the Agriculture Department, cooperatives and private dealers, fertilizers are supplied only by the cooperatives and private dealers. For improved seeds, however, the farmers also depend to a large extent on their own sources i.e. seed kept from the previous crop or seed purchased/exchanged directly from other farmers.

The Agriculture Department makes these inputs available to the farmers through its depots and sub-depots at the Block and field levels. In the case of cooperatives, the inputs are arranged and supplied by the Tamil Nadu Cooperative Marketing Federation (TANFED) through the depots (for fertilizers) of the Primary Agricultural Service Cooperative Societies, through Cooperative Marketing Societies and the retail points of the TANFED. Private dealers are also spread out in the entire State.

In Tamil Nadu, the position regarding the supply of farm inputs to the farmers including small and marginal farmers is stated to be satisfactory. However, in the case of fertilizers, due to the shortcomings in the demand forecasting by the Primary Agricultural Service Cooperative Societies who are the main retailers, there are occasions when some particular brands of fertilizers required by the farmers in an area may not be available with the Primary Societies. Mainly due to this lack of proper demand forecasting, the TANFED is compelled to maintain high levels of stocks at various points including retail outlets which puts a strain on its finances. The transport bottlenecks is another problem but on account of generally adequate supply position of fertilizers, these bottlenecks are of short duration.

As regards agricultural extension, the small and marginal farmers have not been getting adequate attention. But under the new T&V System of agricultural extension, it is specifically

intended to involve the small and marginal farmers directly in the programme of agricultural extension. This is a very welcome development. However, in addition to this, there also appears to be a need to make it obligatory on the part of the agricultural extension agency to contact a given number/proportion of small and marginal farmers for extension education by various methods; to reserve for distribution a given amount of farm inputs among them; and to motivate them to use the improved inputs and new technology. This could be made more effective by clearly laying down in the Five Year/Annual Plans that a given proportion of the visualized increase in agricultural production should come from the small and marginal farmers. These arrangements, among other things, are necessary to ensure that the benefits of development reach the small and marginal farmers to a perceptible extent consistent with their large number.

Both commercial banking and cooperative credit planning for each district in Tamil Nadu, as elsewhere in the country, is the responsibility of the concerned commercial bank designated as the Lead Bank of the district. The District Credit Plans are prepared for a three year period along with the Plans of Action for the first year of this period. For the remaining two years, the Annual Plans of Action are finalized before the start of the year. The current District Credit Plans cover the three calendar years from 1980 to 1982 and include all credit activities - both

agricultural and non-agriculture of all commercial and cooperative banks operating in the area. Block-wise and Scheme-wise credit programme also forms a part of the District Credit Plans.

For preparing a District Credit Plan, a lot of information is collected by the concerned Lead Bank of the area covering economic profiles of the Blocks in the district, programmes and outlays approved for the district under the current Five Year Plan, past performance of various banking institutions etc. etc. Besides this, it also involves a lot of discussions and consultations with the Block level and district level officials as well as officials of all major participating banks. The formal institutional arrangements for discussion and finalization of a District Credit Plan exist in the form of the District Level Consultative Committee of Banks in each district which is headed by the District Collector with the senior most officer of the Lead Bank of the concerned district acting as the convenor of this Committee.

The Credit institutions have a very vital role to play in the context of the implementation of various schemes under the earlier SFDA programme and now under the IRD programme. The coordination of credit operations in this regard in each district is also the responsibility of the District Level Consultative Committee of the Banks. Standing Committees of



these Consultative Committees have also been constituted in all the districts to look into the credit operations and sort out problems on a continuing basis.

The functioning of the District Level Consultative Committees of Banks in Tamil Nadu is, however, stated to be a routine affair. Among other things, meaningful preparation of the District Credit Plans calls for their effective integration with the district development plans covering all development programmes/schemes of various departments/agencies including DRDAs and Block Agencies. This was not happening as the required information about the totality of development programmes/schemes was not readily available. Even the preparation of Block/district plans by the DRDAs, is still to start in many districts as the planning staff was only now being placed in position.

Another important requirement for meaningful preparation and effective implementation of the District Credit Plans in the context of providing credit support to the rural poor (including small and marginal farmers) under the IRD schemes, was the proper working out of cost-benefit norms for various schemes. This work was still in the rudimentary stages and has yet to develop in a systematic manner.

The allocation of credit targets under various schemes including IRD schemes among different credit institutions in the district is being done by the Lead Banks on the basis of their past performance and the credit absorption capacity of their areas. Even this becomes difficult to enforce due to the lack of effective coordination and integration of the District Credit Plans with the development plans of various departments/agencies in the district.

The District Credit Plans thus serve only as broad indicative plans. Consequently, the commitments made by the individual credit institutions even for the IRD schemes are not always honoured at the implementation stage.

The meaningful preparation and effective implementation of the District Credit Plans both for the IRD and other schemes, therefore, requires more active participation of the concerned development departments/agencies, credit institutions and the input supplying agencies and greater and more effective coordination at the district level.

Effective organizational arrangements for coordination are a crucial requirement for proper planning and implementation of any wide ranging development programme/Delivery System like the IRD programme involving different departments/agencies. Besides placing clear responsibility at various levels for planning and implementation of a development programme/Delivery

System, effective coordination particularly at the district and lower levels also requires a clear line of formal authority and control over the concerned departments/agencies by the officer responsible for coordinated planning and implementation of the same. However, in the case of both the earlier SFDAs and now the DRDAs, their Project Officers who were/are responsible for coordinated planning and implementation of the SFDA/IRD programmes in Tamil Nadu, were not vested with any formal coordinating authority over the concerned development departments/agencies and credit institutions and control over the Block Agencies through which they were expected to implement their programmes without having any field staff of their own. They were functioning only with the backing of the authority of their District Collectors who had the requisite coordinating authority at the district level and full control on the Block Agencies and were the Chairmen of the Governing Bodies of the SFDAs/DRDAs.

Thus, the Project Officers of earlier SFDAs and now DRDAs in Tamil Nadu were not/have not been effectively integrated into the district administration's hierarchy of supervision and control over the concerned development departments/agencies. Their effectiveness for the coordinated planning and implementation of their programmes was, therefore, much dependent on the amount of continuous interest taken and time devoted by their District Collectors in this regard.

In view of the limited scope of the earlier SFDA programme, the above administrative arrangements were understandable to an extent. But on account of the wide ranging scope of the IRD programme and its vital importance for helping the rural poor including small and marginal farmers to come up above the poverty line through various schemes, there is both a qualitative and a quantitative change in the situation as compared to the earlier SFDA programme. These changes have considerably increased the need for more effective coordination by the Project Officers of DRDAs on a larger scale and wider front both at the district and Block levels and also the need for much greater involvement of the Block Agencies in the IRD programme. Consequently, there is an urgent need to change the existing coordination/control arrangements to ensure effective planning, coordination and implementation of the IRD programme.

The District Collectors in Tamil Nadu as also in most parts of the country have the responsibility for the overall coordination and review of all development programmes in the district in addition to their other responsibilities for innumerable and diverse activities such as law and order, land revenue administration, various other statutory and administrative functions etc. As such, they are very busy persons and it is difficult for them to devote the required time and attention to one of the programmes like the IRD programme which though

is very important by itself yet forms only a very small part of their total responsibilities. It is only in the small and less problematic districts which do not have very high pressure of work for the District Collectors that they may be able to devote the required time and attention to the IRD programme. But these situations are the exception rather than the rule particularly in Tamil Nadu where most of the districts are large in size and the District Collectors are very busy all the time. On the other hand, the IRD programme which covers diverse activities involving the participation of numerous agencies and poor clientele groups demands continuous attention and quick action on the part of the coordinating authority which is difficult for the District Collectors to provide on a continuing basis.

In view of the totality of the circumstances i.e. the limitations of the existing administrative arrangements vis-a-vis the wide ranging needs of the IRD programme including preparation of Block/district plans, it appears very necessary to provide the Project Officers of DRDAs with formal authority to co-ordinate at the district level and exercise direct control on the Block Agencies. In view of their wide ranging responsibilities as also to avoid conflicts of authority vis-a-vis District Heads of Departments, the status of the posts of Project Officers DRDAs should also be raised to that of

Additional Collector (Development). They should also be given the responsibility for all economic development programmes in the district including the IRD programme to ensure their effective planning, coordination and implementation. Of course, they should continue to work under the overall guidance, control and supervision of the District Collectors. Though they should be experienced officers yet they should be reasonably junior to the District Collectors so that they fit in smoothly in the district administrative set-up. It is only through such streamlining of administrative arrangements that the IRD programme and Block/district level planning are likely to have a good chance of achieving their wide ranging and very important objectives. The introduction of the above administrative arrangements will also go a long way in sorting out more effectively the problem of coordinated planning and implementation in the case of various segments of the Delivery System in general and for small and marginal farmers in particular.

Lastly, there is another important but wider aspect of the existing administrative arrangements which requires to be looked into and examined in detail through separate in-depth studies. While the need for integrated planning and development of the rural areas has increased particularly for combating effectively the problems of poverty, unemployment etc. there has been, on the other hand, a weakening of the integrating and



coordinating role of the Block Agencies due to the growth and increasing assertion of 'departmentalism'. The functional departments like Agriculture, Animal Husbandry, Industries etc. have been increasingly implementing their development schemes directly through their own field staff outside the Block Agencies. The latest in this in Tamil Nadu was the taking away of the agricultural extension staff and work from the Block Agencies and placing them directly under the Agriculture Department on account of the introduction of T&V System (Training and Visit System) of agriculture extension as referred to earlier. This has happened and is happening in other States also. There is thus an increasing tendency on the part of functional departments to operate directly and outside the Block set-up and thereby extend and zealously guard their own domain and authority.

All these developments have been responsible for weakening the integrating and coordinating role of the Block Agencies even in the case of Tamil Nadu where the original Block set-up has not been tempered with over the years. This situation of rising 'departmentalism' on one side and weakening of Block set-up on the other, has also increased the complexity of coordination problem both at the district and Block levels.

A detailed examination of this rising 'departmentalism' vis-a-vis the requirements of comprehensive Block planning visualized under the IRD programme and the need for integrated development of rural areas requires looking into the broader issues like the role definitions of DRDAs, other development departments/agencies and the Block Agencies and the system of horizontal and vertical linkages at various levels. All these are complex issues and need to be examined through separate in-depth studies with a view to suggesting changes in the administrative arrangements at the district and Block levels etc. for bringing about effective integrated planning and development of rural areas. The minimum change required in the existing administrative arrangements, in the meantime, is to invest the Project Officers of DRDAs with formal authority to coordinate at the district level and to exercise direct control over the Block Agencies as suggested earlier.

ANNEXURES

Annexure - I

SCHEME-WISE PATTERN OF FINANCIAL ASSISTANCE  
UNDER SFDA's

Name of the Scheme (Important Schemes)	Pattern of Financial Assistance i.e. Subsidy
---	---

1

2

AGRICULTURAL AND IRRIGATION

- |   |  |
|---|--|
| 1. Individual minor irrigation works  | 25 and 33 <sup>1</sup> / <sub>3</sub> % of cost for small and marginal farmers, respectively                                     |
| 2. Community irrigation works including drainage (where majority of beneficiaries are small and marginal farmers) | 50% of the cost  |
| 3. Agricultural inputs  | 25 and 33 <sup>1</sup> / <sub>3</sub> % of cost of potassic and phosphatic fertilizers, respectively for marginal farmers only   |
| 4. Agricultural demonstrations (on the farms of small and marginal farmers)                                       | Rs.200 per demonstration over the project period i.e. to be given only once to an individual                                     |
| 5. Land development, soil and water conservation  | 25 and 33 <sup>1</sup> / <sub>3</sub> % of cost for small and marginal farmers, respectively                                     |
| 6. Agricultural implements  | - do -   |
| 7. Storage bins   | - do -   |
| 8. Plough bullock/bullock-carts/ camels/camel-carts   | 25 and 33 <sup>1</sup> / <sub>3</sub> % of cost for small farmers; and marginal farmers and agricultural labourers, respectively |

contd/...

1

2

ANIMAL HUSBANDRY

- |   |  |
|---|--|
| 9. Distribution of milch animals                                    | 25 and 33 <sup>1</sup> / <sub>3</sub> % of cost for small farmers; and marginal farmers and agricultural labourers, respectively |
| 10. Distribution of other animals, sheep, goats, pigs, poultry etc. | - do -   |

INFRASTRUCTURE DEVELOPMENT

- |  |   |
|--|---|
| 11. Mandis (Agricultural Markets)            | Rs.4 lakhs (Rs.0.4 million) for 4 regulated markets (i.e. Rs. one lakh for each market) |
| 12. Milk Chilling centres/collection centres | 50% of the cost subject to a maximum of Rs.2 lakhs (Rs.0.2 million) per unit            |

SUPPORT TO INSTITUTIONS

- |                     |   |
|---------------------|---|
| 13. Risk fund cover | 6% on short and medium term loans to the primary cooperative societies/central cooperative banks and 25% on long term loans to land development banks |
|---------------------|---|

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Source: Government of India, Ministry of Rural Reconstruction, Manual on Integrated Rural Development Programme, (New Delhi, January 1980), pp.32-33.

Note : In Tamil Nadu, SFDA pattern continues to be followed under the IRD programme. The subsidy under Scheme No.3 has also been extended now to small farmers under the IRD programme.

Annexure - II

COMPOSITION OF GOVERNING BODY OF SFDA  
CHENGALPATTU DISTRICT - TAMIL NADU

- |  |          |
|--|----------|
| 1. District Collector  | Chairman |
| 2. A representative of Tamil Nadu Agro. Engr. and Service Cooperative Federation Limited | Member   |
| 3. District Level Project Officer of State Farm Corporation                              | - do -   |
| 4. A representative of State Agri. Dept. (Dy. Dir. of Agri.)                             | - do -   |
| 5. A representative of State Co-op. Dept. (Joint Regr. of Co-op. Societies               | - do -   |
| 6. A representative of State A.H. Dept. (Regional J.D., A.H.)                            | - do -   |
| 7. A representative of State P.W.D. (Exc. Engr., P.W.D.)                                 | - do -   |
| 8. A representative of State H.W. Dept. (Divisional Engineer, H.W.)                      | - do -   |
| 9. A representative of Tamil Nadu Elec. Board (S.E./C.E.S.)                              | - do -   |
| 10. A representative of T.N.D.D.C. (Zonal Manager, T.N.D.D.C.)                           | - do -   |
| 11. A representative from TAPCO  | - do -   |
| 12. A representative from State L.D. Bank  | - do -   |
| 13. A representative from Dist. Co-op. Central Bank                                      | - do -   |
| 14. A representative of the Lead Bank  | - do -   |
| 15. A representative of the RBI  | - do -   |



- 16. P.A. to Collector (P.D.) Member
- 17. One Non-Official Member  
(P.U. Chairman of any one Block)
- 18. One Non-Official Member
- 19. Project Officer, S.F.D.A. Member-Secretary

Annexure - III

IRD PROGRAMME - ADMINISTRATIVE ARRANGEMENTS

S.C. VARMA  
SECRETARY (RR)

D.O. No.M-11012/30/80-IRD III  
Government of India  
Ministry of Rural Reconstruction  
Krishi Bhavan, New Delhi-110001.

Dated the 4th Oct. 1980.

My dear

The Government of India has decided to extend the Integrated Rural Development Programme to all the development blocks in the country from Gandhi Jayanti day this year. You must have read about this decision in the press. Now, there are certain urgent administrative steps to be taken for implementing this major decision to have a poverty amelioration programme in every block in the country.

2. The IRD programme involves the identification of thousands of families of the target group in each block, preparation of plans for assisting these families, arranging credit support for financing the plans, monitoring the progress of implementation of the schemes and follow-up action to ensure that the beneficiaries derive truly lasting benefits whereby they cross the poverty line. The target is to assist on an average 600 families in a block in a year and to assist at least 3,000 families under this programme during the Sixth Plan period. This is a task which would call for the undivided attention and dedicated efforts of a large team of officials at the State, district, block and village level. We have to ensure that the machinery is available at each of these levels for performing this task competently and effectively. At the State level, a senior officer should be in charge of IRD and related rural development programmes and this officer should be assisted by middle-level officers for monitoring the formulation and implementation of programmes in the districts. Some subject-matter specialists should also be in position to ensure that the block plans and district plans under the IRD programmes are formulated on sound lines and implemented in a coordinated and systematic manner. The Special Secretary or Commissioner in charge of these programmes and other officers at the middle level assisting him should be provided some continuity of tenures. Care may also be taken in the selection of these personnel. Persons with previous experience in the field of agriculture and

Contd/...

rural development and a known preference for involving themselves fully in such tasks may be entrusted with the responsibility of overseeing the implementation of this programme at the State level.

3. At the district level, the national policy is to have one rural development agency, a society registered for this purpose on the SFDA pattern. Wherever such societies already exist, these could be entrusted with additional functions. Where no such agencies exist, the State Govt. should take every expeditious action to create such agencies and to post suitable personnel. The SFDA and IRD programmes have been merged and the IRD programme shall be implemented by the district level rural development agency. Though DPAP and other rural development programmes will retain their separate identity but the implementation of those programmes also should be entrusted to one and the same district-level agency implementing the IRD programme. The district-level agency should be headed by the District Collector or Deputy Commissioner as its Chairman and it should have a full-time executive, preferably a senior-scale IAS officer or a senior officer of the State Civil Service. The officers should be given continuity of tenure in this assignment for at least two to three years.

4. This Ministry has repeatedly emphasised the need for revitalising the block-level machinery. The BDOs, Extension Officers and Village Level Workers are to be provided suitable training programmes for motivating them to perform their tasks with dynamism and discipline. In many States, the block-level administrative machinery is rather neglected and demoralised and it would be absolutely essential to infuse a new life into this machinery, if the IRD programme is to be smoothly implemented through that machinery. We shall be arranging a separate dialogue with each State Government on this aspect. Meanwhile, I would request you to take a close look at the machinery at all the three levels immediately with a view to taking corrective action, wherever necessary.

5. The IRD programme is being implemented through a financial partnership between the Centre and the States. Expenditure is shared on a 50:50 basis between the Centre and the State Governments. In this year's Annual Plan, I am sure, the State Govt. would have already made provision for funding the IRD programme in the existing blocks. Now, that all the blocks are covered, the State Government will have to provide funds also for those blocks in which the programme is being newly introduced. The Planning Commission has recommended an outlay of Rs.5 lakhs in each of these blocks. The State Govts.' share would be Rs.2.5 lakhs per block. It may not be practicable to absorb the full allocation of Rs.5 lakhs per block this year. On the basis of a realistic assessment of the absorption capacity of the blocks in the State, the State Government should make provision in its plan.

6. It is necessary to draw up a comprehensive plan for the integrated development of every block and such block plans should be aggregated to form a five-year district plans. Even as action is taken to identify beneficiaries and to provide them assistance in the current year, it is to be emphasised that the long-term perspective is not lost sight of. Unlike previous efforts to provide assistance to the rural poor, the current programme of IRD should focus attention on comprehensive development of the blocks in such a way that the targeted families derive full benefits on a lasting basis. Every care will have to be taken to prevent mere distribution of subsidies and inputs without proper planning or coordination. I would request you to urge all officers concerned to take immediate action for starting the process of Integrated Rural Development in the blocks newly being brought under the IRD Programme.

Yours sincerely,

Sd/-

( S.C. Varma )

Shri  
Chief Secretary,  
Govt. of

Annexure - IV

IRD PROGRAMME - ADMINISTRATIVE ARRANGEMENTS

Shri G.L. Bailur  
Joint Secretary

Government of India  
Ministry of Rural Reconstruction  
Krishi Bhavan, New Delhi

Dated the 24th Oct., 1980

Dear Shri

The decision regarding the merger of Small Farmers Development Agency and Integrated Rural Development Programme, and the extension of this programme to all the Blocks in the country has been communicated to State Governments vide D.O. No.M.11012/30/80-IRD III dated 4th October, 1980 from Shri S.C. Varma, Secretary, addressed to Chief Secretaries of all States. Some of the steps which are required to be taken urgently for implementing this major decision have also been spelt out in that letter, a copy of which is enclosed herewith.

The following further guidelines are issued for expeditious implementation :-

i) ADMINISTRATIVE ARRANGEMENT:

At the State level, in some States, the Small Farmers Development Agency programme is being dealt with by the Agriculture Department and Integrated Rural Development programme by the Rural Development Department. Since Small Farmers Development Agency has now been merged with Integrated Rural Development and there is no separate Small Farmers Development Agency Programme, the new Integrated Rural Development Programme has necessarily to be handled by a single Department. Since the field level machinery for implementing the IRD Programme is with the Development Department, the new programme should obviously be handled by the Department which exercises control over the Block Administration.

If all these programmes viz., Small Farmers Development Agency, Integrated Rural Development, Drought Prone Area Programme, Special Livestock Production Programme, Programme for Women and Children etc. are being dealt with by different Departments, it would be desirable to bring these programmes together under the aforesaid Department. In some States, post of Commissioner for Special Economic Programme has been created which is under the overall guidance and supervision of the Development Commissioner. With the

decision to extend the IRD Programme to all the blocks in the country and in view of the financial implications, the creation of a separate post of the rank of Commissioner for dealing with all the special programmes would be more than justified.

This officer should be suitably assisted by middle-level officers of the rank of Joint/Deputy Secretary for monitoring the formulation and implementation of these programmes in the district. Subject-matter specialists should be grounded who would be in position to ensure that the field staff gets the necessary technical guidance. In the States, in which DPAP is under implementation, a project cell for DPAP has already been set up at the State Level. This cell may have to be suitably strengthened.

At the district level, there should be a single agency for implementation all special programmes. This agency is to be named as the District Rural Development Agency/Society. In the districts in which SFDA, DPAP agencies already exist, these will have to be merged into one and renamed. In other districts, where such agencies do not exist, such agencies will have to be created. The Agency will be headed by the Collector/Deputy Commissioner.

The Agency should necessarily have a full-time executive officer preferably, a senior scale IAS Officer or his equivalent from the State Services. States like Uttar Pradesh and Rajasthan have upgraded the posts of District Development Officers and posted senior scale IAS Officers on them.

Officers possessing dynamism and aptitude for rural development should be chosen to work in the district agencies and at other levels. They should be given continuity of tenure in their assignments for at least 2-3 years. Since frequent transfers of such key personnel give a serious set-back to the implementation of the programme, pre-mature transfers need to be avoided.

The district agency which consisted of a Project Officer, 2-3 APOs, and some ministerial staff, is to be strengthened with the addition of a Credit Planning Officer, a Industries Officer, and an Economist/Statistician. It would be desirable to fill the post of the Credit Planning Officer by obtaining an Officer from the banking institutions on deputation. Similarly, the post of Economist/Statistician could be filled by getting an officer on deputation from the State Bureau of Economics & Statistics, agricultural universities or other similar institutions.

As has been repeatedly stressed, it would be absolutely necessary to revitalise the block level machinery for effective implementation of the rural development programme. In this context, it would be desirable to consider upgradation of the post of Block Development Officer, bringing together the Extension Officers of various departments under the administrative control of the BDO and filling up the vacant posts of VLU's etc.



ii) PROGRAMME CONTENTS :

By and large, the programme already included in the on-going IRD programme would continue to be implemented under the new programme. Contribution to the 'risk fund' would also be admissible on the lines of the provision in the SFDA Programme.

iii) OBJECTIVES OF THE PROGRAMME:

The aim of the programme will continue to be identification and providing assistance to the families below the poverty line so as to enable them to increase their income, through a comprehensive plan of Integrated Rural Development. It is again emphasised that the programme should aim at a comprehensive development on family basis instead of conferring benefits in an isolated and sporadic manner. A 'cluster approach' should be adopted.

iv) FINANCIAL ALLOCATIONS:

Notionally, an allocation of Rs.5 lakhs per block per annum may be assumed during the current year. The different patterns of funding viz., 2.50 lakhs per block per annum for the normal SFDA programme, Rs.5 lakhs per annum per block for 50% of the IRD blocks, and Rs.10 lakhs per block per annum for the remaining 50% of the blocks, different rates of allocations for 300 blocks selected every year outside special programme areas etc., will be discontinued. However, if in any block programme has already been drawn up on the basis of higher allocations, and the block is in a position to absorb funds to that extent, there would be no objection to exceeding the expenditure beyond Rs.5 lakhs in such a block. But on the whole, the actual expenditure is likely to be much less in areas which have now been brought under the programme; since the Agency is yet to be set up and a lot of preparatory work is yet to be done. Besides, unspent balances of previous year are also available for meeting the current year's expenditure. The State Governments are requested to make a realistic exercise and provide additional funds, if any, having regard to their commitment to provide 50% of the amount out of the State budget.

During the current year, it would be desirable to maintain separate accounts for various special programmes to meet the requirements of staff.

v) PLAN OF ACTION FOR 1980-85:

A five-year development profile will have to be worked out for each district disaggregating into blocks based on practical possibilities of development in agriculture and other sectors. This plan will be based on availability of ground and surface water, present level of water utilisation, potential for dairy, poultry, fisheries, rural industries, artisans programmes etc. Detailed guidelines on the formulation of 5 year plan will be issued shortly. It is envisaged that the district plans would be approved by the Central Sanctioning Committee. Pending this, for the current year, the block plans may be got approved by the State-level sanctioning Committee according to the present guidelines. It is emphasised that the current year's block plans should be sent to this Ministry in advance and their comments obtained before the plans are placed before the State level Sanctioning Committee.

vi) RELEASE OF FUNDS:

The Government of India will continue to release funds to the district-level agencies towards 50% of its share. Since funds will be released to the Agencies direct, State Governments are requested to immediately set up district-level agencies in districts where such agencies do not exist and send an intimation to the Ministry to this effect so as to enable this Ministry to release funds to the Agencies. The release of second instalment would be contingent on release of funds by the State Government to the Agencies as well as on the pace of utilisation of funds already released.

vii) MAINTENANCE OF ACCOUNTS:

It was provided that separate block-wise accounts should be maintained for IRDP in the on-going blocks as well as blocks outside the special programme areas under the scheme of Area Planning for Full Employment. With the introduction of the IRD guidelines to the normal SFDA, block-wise accounts have been prescribed for the normal SFDA programme with effect from last year. Since the SFDA and the IRDP have now been merged there is no need to maintain separate accounts for the normal SFDA as distinct from IRDP. All the releases for the normal SFDA programme during the current year may be treated as funds released for IRDP and accounted for accordingly. Accounts for IRDP in the blocks covered by DPAP/CAD will, however, be kept distinct from the normal programme as these are area development programmes.

viii) INTER-SECTORAL TRANSFER OF FUNDS:

Under the existing guidelines, the Agency could divert funds from one sector to another only upto 25% of the existing allocation. In other cases, approval of the Government of India was to be obtained. Subsequently, these powers were delegated to the State Level Sanctioning Committee. Since the IRD programme is not a sectoral programme and once a comprehensive plan for lifting each family above the poverty line is formulated, it would not be necessary to resort to such diversions.

ix) SCHEME OF SUBSIDY FOR MINOR IRRIGATION  
OUTSIDE SPECIAL PROGRAMME AREAS:

Since IRD programme now stands extended to all the blocks in the country, the scheme of subsidy to small and marginal farmers for minor irrigation outside special programmes/areas as well as TRYSEM programme outside the special programmes/areas will stand discontinued from the beginning of the next year.

Further guidelines regarding various other matters will follow shortly.

Yours sincerely,

Sd/-

( G.L. Bailur )

All APCs, Secretary (Agri.)

Annexure - V

JOB CHART OF EXISTING THREE ASSISTANT PROJECT  
OFFICERS (APOs) OF DRDA CHENGALPATTU DISTRICT,  
TAMIL NADU

(1) Job Chart of Assistant Project Officer  
(Farm Management)

- i) Assist the Project Officer in the training of the Block Personnel and guide them in the preparation of Block Plans.
- ii) Identify suitable schemes under Agriculture or Integrated Rural Development beneficiaries.
- iii) Implement, Monitor and Evaluate the following schemes:
  - a) Demonstrations
  - b) Custom service
  - c) Soil conservation
  - d) Horticulture development
  - e) Agriculture implements, plough bullocks
  - f) Bullock carts
  - g) Farm forestry
  - h) Fisheries
  - i) Sericulture
- iv) Work relating to following are also attended to, in the absence of A.P.O. (Industries)
  - a) TRYSEM (Training of Rural Youth for Self-Employment)
  - b) Industries including village industries
  - c) Business and service components
- v) General administration pertaining to Agricultural Officers'/Field Demonstration Officers'
- vi) Scrutinising Block Plans
- vii) Scrutinising and passing of claims pertaining to agriculture and allied subjects listed above
- viii) Correspondence and periodicals pertaining to the Subjects listed above
- ix) Attending matters relating to Governing Body meetings

(2) Job Chart of Assistant Project Officer (Cooperatives)

- i) Assist the Project Officer in the training of the Block personnel and guide them in the preparation of Block Plans
- ii) Identify and collect details of ground water potential in the District
- iii) Implement, Monitor and Evaluate the following schemes:
  - a) Community wells
  - b) Minor irrigation in private holdings
  - c) Infrastructural facilities relating to Milk Supply Societies
  - d) Risk Fund
  - e) Crop insurance
  - f) Matters relating to Farmers Service Societies
- iv) Scrutinising and passing of claims pertaining to above schemes
- v) Scrutinising and checking office accounts (Cash Book, UDP register, Petty cash book etc.)
- vi) Checking stationery and furniture
- vii) Correspondence relating to establishment matters
- viii) Enrollment of identified beneficiaries as members in the co-operatives
- ix) Liaison with the credit institutions

(3) Job Chart of Assistant Project Officer  
(Animal Husbandry)

- i) Assist the Project Officer in the training of the Block personnel and guide them in the preparation of Block Plans
- ii) Identification of suitable schemes under Animal Husbandry and potential centres for each scheme
- iii) Assisting the implementing staff in the flow of credit
- iv) Implement, Monitor and Evaluate the following schemes:
  - a) Dairy development
  - b) Sheep development
  - c) Duckery
  - d) Poultry
  - e) Piggery
  - f) Fodder development
  - g) Haifer calf scheme
- v) Assisting infrastructural needs under animal husbandry
- vi) Scrutinising and passing of claims pertaining to above schemes
- vii) Correspondence, periodicals relating to above schemes



Annexure - VI

Ministry of Agriculture and Irrigation (Department of Rural Development) letter No. 11011/2/74 R.C. dated 1/5 June 1974 regarding the definition of Small and Marginal Farmers and Agricultural Labourers

The distinction between small farmers and marginal farmers agencies will be abolished and there will be a combined agency, which will implement crop husbandry programme for the identified participants. Such a combined agency will be known as "Small Farmers Development Agency". Each project will be confined to one revenue district and will attempt to cover 50,000 beneficiaries during a five-year period of operation adopting a compact area approach within the district. The proportion of small and marginal farmers beneficiaries may be roughly in proportion to their total number in the project area. The agencies will also attempt to cover the targetted number of beneficiaries in a phased manner. Starting with a few blocks and extending the programme to other suitable areas in subsequent years. The agricultural labourers cannot be directly covered under crop husbandry but they would derive indirect benefits of employment on land-shaping, land development and soil conservation works taken up on water-shed basis. It will, therefore, be necessary to ensure that the agricultural labourers are identified for employment on such works.

As suggested by the National Commission on Agriculture each project will be a combined agency to cover both small/marginal farmers having holdings below five acres. The definition of small farmers/marginal farmers/agricultural labourers to be adopted will be as follows :

Small Farmers: Cultivators with land-holding below five acres, in case of class-I irrigated land as defined in the land ceiling legislation, the ceiling will be 2.5 acres.

Marginal Farmers: Cultivators having land holdings upto 2.5 acres, in case of class-I irrigated land as defined in the land ceiling legislation of the State, the ceiling will be 1.25 acres.

Agricultural Labourers: Cultivators without any land holdings but having a homestead and deriving more than 50% of their income as agricultural wages.

The small/marginal farmers and agricultural labourers should themselves be cultivators. The land holding limits will be applied on the basis of ownership holdings, ownership being taken to mean transferable or heritage rights. The family should be treated as a unit for this purpose and such family unit should be taken as those normally living together as a household. This would obviate the possibility of "benami" transfers and benefits of the programme flowing to more than one member of the same family unit. If, however, members of the family are living separately as independent units, they could be identified separately as small/marginal farmers according to the parameters of land holdings. In respect of share-croppers and tenants such of them as have recorded rights should be identified as small and marginal farmers. Some of the farmers who are likely to become eligible for identification according to the prescribed land holding limits, may have income from off-farm-sources. Therefore, those with substantial off-farm-income of Rs.200/- per month or more for the family may not be included under any programme of the agency.

Annexure - VII

Ministry of Agriculture and Irrigation (Department  
of Rural Development) letter No.CRI/11011/2/74 R.C.  
dated 14.10.74 regarding the definition of Small  
and Marginal Farmers

Some of the States have expressed difficulties in adopting the definition as laid down for class-I irrigated land as the categorization of irrigated lands is being done on the different basis in some of the States.

2. It may be clarified that the suggestion to have the limits for class-I irrigated lands at 50% of dry-land had been made keeping in view perennial sources of irrigation. However, as the definition of class-I irrigated land is not uniformly followed in all the States/UTs, it is suggested that the State Governments may work out the equivalent of the dryland limits suggested for identification of small and marginal farmers in terms of irrigated land, adopting suitable conversion ratio as applicable under Land Ceiling Legislation. It may, however, be borne in mind that while adopting such conversion ratios the upper limit of 5.0 acres for small farmers and 2.5 acres for marginal farmers in respect of dryland is strictly adhered to. These instructions may be brought to the notice of all the SFDA/MFAL Agencies in your State.

IDENTIFICATION FORMSMALL FARMERS DEVELOPMENT AGENCY, CHENGLEPUT DISTRICT  
AT KANCHEEPURAM

1. Name of the Panchayat Union :
2. Name of the Panchayat :
3. Name of the revenue village :
4. Name of the Small/Marginal Farmer :
5. Father's/Husband's Name :
6. Residential address :
7. No. of Children with age : Male Female
8. No. of Brothers and sisters with age : Brothers Sisters
9. Community : Forward class/Backward class/  
Schedule Caste/Schedule tribe
10. Is he living in a joint family ?  
If so with whom : Yes/No
11. Profession of the beneficiary :
12. No. of persons from his family  
engaged in farming with details :
13. Land owned by the beneficiary (As per village records)

Name of the revenue village	Survey No.	Extent		Nature of Irri- gation	Crops sown	Type of Soil
		Wet	Dry			
1	2	3	4	5	6	7

Total:

14. Machinery and tools possessed  
by the beneficiary, if any :

15. What is the property owned by  
the joint family? :

16. Does he have the following, if so  
the number and value(Approximate) :

No. Val

- a) Bullocks
- b) Milch cow  
Buffaloes
- c) Sheep and Goat
- d) Poultry
- e) Pigs

17. Is he a member of the Cooperative  
society and Land Development Bank?: Yes/No

18. Is he in default? If so the amount  
he has to pay back. : Yes/No

19. Are any loans outstanding against  
him? Government, Commercial Banks,  
or other agencies :

20. What are the other properties  
owned by the individual? :

21. What is the loan he is applying  
for? :

22. Has he agreed to abide by bank's  
conditions and S.F.D.A.'s  
conditions? : Yes/No

23. Does he satisfy the following  
conditions ?

A) SHORT TERM LOANS

i) Does he agree to use improved  
practices and adopt H.Y.  
Variety? : Yes/No

ii) Does he agree to hypothi-  
cate the crops? : Yes/No

B) LONG TERM LOANS

a) Wells

- i) Has he the required commandable area? :
- ii) Are there any wells nearby?  
If so their distance :
- iii) Possibility of sinking the well :

b) OIL ENGINES AND ELECTRIC MOTORS :

- i) Is there any Irrigation source from  
which water can be tapped? : Yes/No
- ii) Is there sufficient water? : Yes/No
- iii) Is any permission of the authorities  
necessary? :
- iv) Is there commandable area? : Yes/No

24. What is the amount of loan required by  
the individual for the above purpose? :

25. Which is the bank that has to finance? :

26. Certificate:

I certify that the information furnished above are true to  
the best of my knowledge and the monthly income of my family from  
off-farm sources is below Rs.200/- only.

Signature of the Farmer

I certify that the above information were collected by me in  
person and I have verified with the village records.

Signature of the village Karam/  
headman

Signature of the V.L.O./G.S.

Remarks of the B.D.O./Dy. A.O. indicating  
the likely improvement of the economic  
condition of the farmer

Signature of the B.D.O./Dy. A.O.



Annexure - IX

No.M.11012/7/80-IRD-III  
Government of India  
Ministry of Rural Reconstruction  
Krishi Bhavan,  
New Delhi, 27th February, 1981

To

- 1) The Chief Secretaries,  
All State Governments/UTs.
- 2) Agricultural Production Commissioners,  
All State Governments/UTs.
- 3) Secretary (Agri.)/Secretary(RD),  
All State Governments/UTs.

Subject:- Strengthening of the block administration -  
proposals for

Sir,

As the State Governments are aware the integrated rural development programme has been extended to all the blocks in the country with effect from 2nd October 1980. The programme is to be implemented through the district level rural development agencies with the help of the block extension machinery. The identification of families, preparation of bankable plans for them and monitoring the implementation of the programme are basically the responsibility of the block machinery. The field level functionaries are also expected to play their role of liaison with the banks and other organisations for mobilising credit, supply of inputs, organisation of marketing arrangements etc. Follow up action on the schemes drawn up for the families at periodical intervals, ensuring supply of raw material etc. are also responsibility of the field level functionaries i.e. the BDOs, Extension Officers and the VLWs. The block personnel have also to help the financing institutions in covering the loan given to the beneficiaries. Thus an adequate and responsive block machinery is a sine qua non for the successful implementation of the IRD Programme.

Unfortunately, the block machinery has been weakened for various reasons. Originally, according to the schematic pattern, a block was to have one BDO, 8 extension officers (one each for agriculture, animal husbandry, cooperation, panchayat, rural industries, engineering, social education and programme for women and children), 10 gram sevaks; 2 gram sevikas, one progress assistant, one store-keeper-cum-accountant, one senior clerk, one cashier, one typist, one driver and 4 class IV staff. During a

series of meetings with the State Government representatives held recently, it has been noticed that most of the functionaries are not in position. Many blocks do not have posts of extension officers, industry, cooperation and animal husbandry. Some of these posts have been transferred to the respective technical departments. On the introduction of T&V System, the agricultural extension officer and 70-80 per cent of the village level workers have also been taken away from the block establishment and their services are no longer available to the BDO. This has completely eroded the block administration and incapacitated them from doing any effective work which is crucial to the success of the anti-poverty programme. As a matter of fact, when the SFDA programme was introduced it was envisaged that the blocks and districts concerned would have either the IAAP or IADP pattern according to which 5-10 VLWs were to be available in each block over and above the sanctioned strength of 10 VLWs. Very few states have provided additional VLWs as was envisaged; on the contrary, further depletion has taken place.

Discussions held with the State Governments from time to time have revealed that one of the main reasons for the low utilisation of funds released under IRDP during 1978-79 and 1979-80 is the inadequacy of the staff at the block level. In the States where the original block pattern has remained undisturbed, the performance has been outstanding. It is quite obvious that in the absence of a strong block administration, it is well-nigh impossible to implement any one of the anti-poverty programmes.

Most of posts that were formerly part of the block administration are still in existence and the total number of officials presently deployed at the block and the village level has perhaps not reduced. May be, the number of employees may have increased but now form part of the vertical departmental hierarchies. In the result, the total government expenditure has increased but because of lack of cohesion and co-ordination, commensurate results are not being obtained. The villagers are also getting confused because instead of approaching one multi-purpose worker, they are now required to deal with a much larger number of employees resulting in the dissipation of time, energy and money. The present is the most opportune time to consider reorganisation of the administrative set up at the block and the village level. Without incurring any expenditure, the concerned employees could be brought back under the block umbrella and made into a cohesive team. It is, therefore, not so much a question of incurring more expenditure as that of taking certain decisions to streamline the administration. Of course, the present tendency to perpetuate the cult of developing vertical hierarchies will have to be countered and the damage done in the past will need to be repaired. The foremost attention should be paid to the deployment of the required number of functionaries at the village level because it is here that the rural poor will have to be identified and

further action taken to help them to cross the poverty line. When the CD programme was in its inception, ten VLWs were provided in every block and the number was raised to 15-20 in the IADP, IAP and SFDA districts. Now the programme is much more intensive, the financial provision is many times more than before and the goals to be achieved are much higher. Will it ever be possible to implement the anti-poverty programmes with the deployment of only 4-5 VLWs and a greatly weakened set up at the block level? The requirements of the situation are so obvious that there is no need to further elaborate on this issue.

The question of strengthening the block administration was accordingly taken up with the Planning Commission and the Ministry of Finance and it has been decided that assistance should be provided by the Government of India for meeting 50% of the cost of the minimum additional staff required in the blocks for the effective implementation of the IRDP. Funds for this will be provided out of the overall outlay for the IRDP programme subject to the following conditions :-

- a) The block level set up should ordinarily provide for 10 VLWs, a complement of extension officers atleast for credit, industries, women's programme and a Progress Assistant as was envisaged in the original schematic budget. The gap in the present strength will be judged with reference to this norm.
- b) The additional requirement of staff at the block level will be assessed in respect of each State individually.
- c) The State Government should be prepared to meet 50% of the cost of additional staff.
- d) Only the minimum additional staff required for efficient implementation of IRDP will be considered after taking into account the staff already sanctioned under the various other development schemes including tribal programmes, special component plans, special livestock programme, etc. at the block and the village level.
- e) The additional staff may be phased over 2-3 years.
- f) The proposal in respect of each State will be considered by a Sanctioning Committee consisting of a representative of the State Government concerned, the Ministry of Finance and the Planning Commission.

It is requested that proposals in respect of your State may please be sent to this Ministry as per proforma enclosed with full justification by 31st March 1981. Among other things the proposal should give a clear picture of the existing strength of VLWs and extension officers in the block; the number of posts which have been abolished; the number of posts transferred to other departments and whether they could be got transferred to the block; whether the T&V system has been introduced and, if so, whether the VLWs, extension officers taken away from the block administration are available for implementing the IRD programme and the financial implications involved.

Yours faithfully,

Sd/-

( S.C. VERMA )

Secy. to the Government of India

PROPOSAL FOR STRENGTHENING OF BLOCK ADMINISTRATION

A-BLOCK (per block)

Designation and serials	Existing No.	Originally sanctioned	No. of Posts abolished (Ref.Col.3)	No. Trans- ferred to other Deptts. (Ref.Col.3)	No. of Addl. posts required	Total finan- cial impli- cation	REMARKS  (To indicate wheth posts transferred other Deptts. could be restored etc.)
1	2	3	4	5	6	7	8

B. STATE

1. Total No. of districts.
2. Total No. of Blocks.
3. Total Financial implications.
4. T&V System

- a) Whether T&V System has been introduced; if so, since when and in how many blocks;
- b) How many posts per block were transferred to the Department of Agriculture;
- c) Whether the posts transferred vide 4(b), are available for implementing IRDP;
- d) Whether the posts transferred vide 4(b) could be made available for implementing IRDP.

5. Other Schemes

- a) Are there any other Central or State Schemes, e.g. ITDP, SLPP, HAD etc. under which posts have been sanctioned for block/village level; if so, the name of the scheme and the particulars of posts available at block/village level whether these are available for implementing IRD.
- b) Whether State Governments have already created additional posts at the block level for implementing IRD programme. If so, details along with financial implications.

6. Phasing

Whether the additional posts proposed in Part-A could be phased out over 2-3 years, if so, indicate the phasing and the financial implications year-wise.

7. Budget

Is the State Government prepared to meet 50% of the cost of the additional posts proposed.

